



CORRELATED FACTORS OF EXPORT BARRIERS: A STUDY ON FIREARMS  
AND AMMUNITIONS EXPORT TO THE THAI MILITARY AND POLICE FORCE

By  
VEERATHAM SACHDEV

A Thesis submitted in partial fulfillment  
of the requirements for the degree of

Master of Business Administration

Graduate School of Business  
Assumption University  
Bangkok, Thailand

November 2005

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## ABSTRACT

The different departments of the Thai Military and Police Force purchase defense products and equipments from suppliers throughout the world through government procurement, which is governed by certain laws and regulations. Many factors are involved in and have an effect on the work flow and export of defense products between the manufacturer/supplier and the buyer, in this case the military authorities; including adhering to the bidding requirement, contract and shipment conditions, foreign export control; the work process of Thai authorities, the cultural and technological differences as well as the threat of terrorism. This study aimed at identifying which of these factors serve as barriers in exporting firearms and ammunitions to the Thai military and police force.

Census survey was used with self-administered questionnaire distributed to the total population of 41 suppliers, whom G.H. international Co., Ltd., the local distributor, represented for the Thai market. Hypotheses were set to determine the relationship between each factor, namely bidding requirement, contract condition, work process of Thai authorities, foreign export control, shipment, terrorism, culture, technology, and the export barrier. Spearman rank-order correlation was used for the data analysis.

The descriptive analysis revealed that most respondents agreed that the factors serve as problems in exporting. However, the results of hypotheses testing revealed that only bidding requirement, shipment, terrorism and culture were proved to be barriers in exporting firearms and ammunition to the Thai military and police force.

Having identified the barriers, the study also requested suggestions from suppliers and approached end-user for their recommendations in eliminating the barriers and improving the situation. An interesting recommendation from certain end-users that would eliminate most barriers is for procurement of defense product through Government to Government agreement. Other general recommendations on improving different aspects of factors causing problems and serving as barriers suggested by suppliers and otherwise are discussed in the conclusion and recommendation of the study.

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## TABLE OF CONTENTS

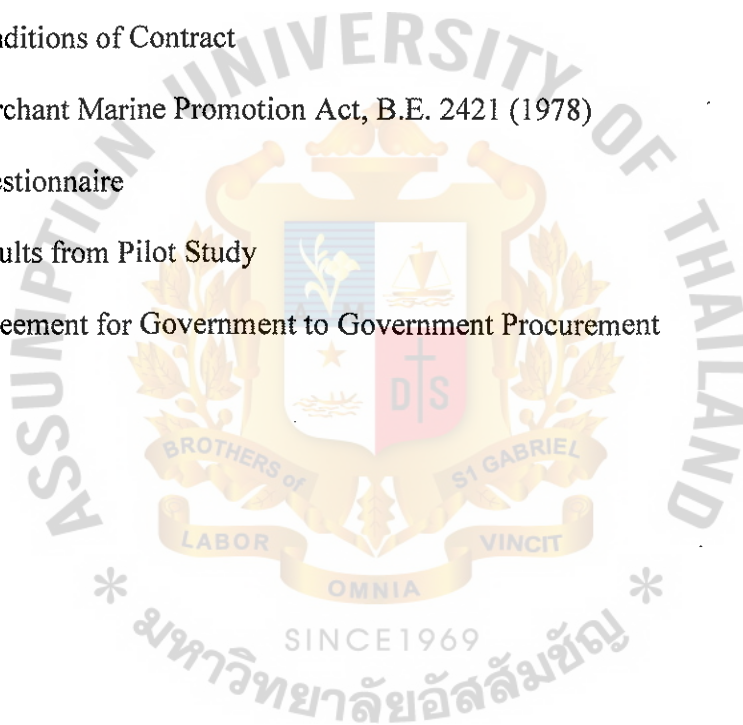
	Page No.
Abstract	i
Acknowledgements	ii
Table of Contents	iii
List of Tables	vi
List of Figures	xi
<b>Chapter 1 – Generalities of the Study</b>	
1.1 Introduction of the Study	1
1.2 Statement of the Problem	9
1.3 Research Objectives	10
1.4 Scope of the Research	11
1.5 Limitations of the Research	11
1.6 Significance of the Study	12
1.7 Definition of Terms	12
<b>Chapter II – Review of Related Literature and Studies</b>	
2.1 Theories Related to the Independent Variable (s)	18
2.2 Discussion of the Dependent Variable	49
2.3 Previous Studies	50

	Page No.
<b>Chapter III – Research Frameworks</b>	
3.1 Theoretical Framework	54
3.2 Conceptual Framework	55
3.3 Research Hypothesis	57
3.4 Operationalization of the Independent and Dependent Variables	58
<b>Chapter IV – Research Methodology</b>	
4.1 Research Method Used	60
4.2 Research Population	60
4.3 Research Instruments/Questionnaire	61
4.4 Collection of Data/Gathering Procedures	62
4.5 Statistical Treatment of Data	63
4.6 Pre-Testing	67
4.7 Pilot Study	68
<b>Chapter V – Presentation of Data and Critical Discussion of Results</b>	
5.1 Descriptive Statistics	71
5.2 Hypotheses Testing	89
<b>Chapter VI – Summary Findings, Conclusions and Recommendations</b>	
6.1 Summary of Findings	98
6.2 Conclusion	101
6.3 Recommendation	107
6.4 Limitation and Direction for Further Study	111

## Bibliography

## Appendixes

- Appendix A Instruction to Bidders
- Appendix B The Ordnance Department, Royal Thai Army  
Instruction to Bidders
- Appendix C Conditions of Contract
- Appendix D Merchant Marine Promotion Act, B.E. 2421 (1978)
- Appendix E Questionnaire
- Appendix F Results from Pilot Study
- Appendix G Agreement for Government to Government Procurement



## LIST OF TABLES

	Page No.
Table 2.1 : Priorities of Cultural Values: United States, Japan, and Arab countries	44
Table 2.2: Technology Development Indicators	46
Table 2.3: The number of organizations connecting to internet.	47
Table 2.4: Internet Users Survey	47
Table 2.5: Internet usage segmented by age	47
Table 3.1: Operationalization of the Independent and Dependent Variables	58
Table 4.1: Summary of Statistical of Data	65
Table 4.2: Reliability Analysis-Scale (Cronbach's Coefficient Alpha)	68
Table 5.1: Product Type	72
Table 5.2: Country of Origin	73
Table 5.3: Frequency Distribution of response to 'Preparing and certifying documents required for bid submission is time consuming'	74



Table 5.4:	Frequency Distribution of responses to ‘Certifying documents by Thai Embassy or Thai Consulate is costly and time consuming due to unavailability of these organizations in your city/state/country’.	75
Table 5.5:	Frequency Distribution of responses to ‘It is difficult to meet delivery period per contract condition’.	75
Table 5.6:	Frequency Distribution of responses to ‘There is a rigid policy regarding the penalty charges for late delivery’.	76
Table 5.7:	Frequency Distribution of responses to ‘Frequent rotation of key personnel creates a problem in proposing new products’.	76
Table 5.8:	Frequency Distribution of responses to ‘Thai authorities are slow in processing required documents such as End-User Certificate.’	77
Table 5.9:	Frequency Distribution of responses to ‘The bureaucratic nature of Thai authorities delay the procurement process.’	77
Table 5.10:	Frequency Distribution of responses to ‘There is problem in approval of export licenses for export to Thailand.’	78
Table 5.11:	Frequency Distribution of responses to ‘Approval of export license for export to Thailand takes long time.’	78
Table 5.12:	Frequency Distribution of responses to ‘There is difficulty in finding Thai Flagged Vessel for shipment by sea.’	79

	<b>Page No.</b>
Table 5.13: Frequency Distribution of responses to ‘Shipment by Thai-flagged vessel is very expensive.’	79
Table 5.14: Frequency Distribution of responses to ‘There is difficulty in finding means for transportation of hazardous goods.’	80
Table 5.15: Frequency Distribution of responses to ‘Due to the threat of terrorism there are stricter export control regulations.’	80
Table 5.16: Frequency Distribution of responses to ‘There is recently more difficulty in finding means for transportation of hazardous goods due to threat of terrorism.’	81
Table 5.17: Frequency Distribution of responses to ‘Cultural differences exist in dealing with Thai authorities.’	81
Table 5.18: Frequency Distribution of responses to ‘Cultural differences delay work flow with Thai authorities.’	82
Table 5.19: Frequency Distribution of responses to ‘There is language and communication barrier in dealing with Thai authorities.’	82
Table 5.20: Frequency Distribution of responses to ‘Lack of procurement information are provided on the internet.’	83
Table 5.21: Frequency Distribution of responses to ‘It is difficult to propose new technological products to Thai authorities.’	83
Table 5.22: Frequency Distribution of responses to ‘Does your organization face any barrier(s) in exporting firearms and ammunitions to Thailand.’	84

Table 5.23: Frequency Distribution of responses to 'Export barrier(s) in exporting firearms and ammunitions to Thailand have existed for long time.'	84
Table 5.24: Frequency Distribution of responses to 'The export barrier(s) affect your decision in continuing export to Thailand.'	85
Table 5.25: The Cross tabulation between response of 'There is a problem in approval of Export license for export to Thailand' and 'Country of Export'	86
Table 5.26: The Cross tabulation between responses for 'Approval of export license for export to Thailand takes long time' and 'Country of Origin'	87
Table 5.27: Spearman's rank correlation test between bidding requirements and export barriers.	89
Table 5.28: Spearman's rank correlation test between contract conditions and export barriers.	90
Table 5.29: Spearman's rank correlation test between contract condition 1, contract condition 2 and export barriers.	91
Table 5.30: Spearman's rank correlation test between work process of Thai authorities and export barriers.	92
Table 5.31: Spearman's rank correlation test between foreign export control and export barriers.	93
Table 5.32: Spearman's rank correlation test between shipment and export barriers.	94
Table 5.33: Spearman's rank correlation test between terrorism and export barriers.	95

	Page No.
Table 5.34: Spearman's rank correlation test between culture and export barriers.	96
Table 5.35: Spearman's rank correlation test between technology and export barriers.	97
Table 6.1: Summary of Hypothesis Testing	100





## LIST OF FIGURES

	Page No.
Figure 2.1: U.S. Export Control System	34
Figure 3.1 Conceptual Framework of hypothesis testing model	55
Figure 5.1: Chart illustrating Product Type	72
Figure 5.2: Chart illustrating Country of Origin	73



## CHAPTER 1

### GENERALITIES OF THE STUDY

#### 1.1 Introduction of the Study

Defense products are required by governments of most if not all countries for the protection and safety of their nation, with increasing demand in today's more uncertain world. Defense or military products or more generally known as arms range from Aero Engines, Aircrafts, Armor and Artillery, Explosives, Fighting ships, Military Vehicles, Nuclear, Biological and Chemical (NBC) products, Radar and Electronic Warfare, general Firearms and Ammunitions to Security Products. Other than product categories they can also be classified based on the end users which includes the Defense Forces – Army, Navy, Air Forces and the Law Enforcement Forces.

USA has been the world's largest arms exporter and has great influence over the global arms trade (Schroeder & Stohl, 2005). Russia however has established itself as the main supplier of major conventional weapons for the period 2000-2004, replacing USA. Together, France, Germany, Russia, the UK and the US made up 81% of all exports in 2000-2004 (Wezeman & Bromley, 2005). On the other end, five of the top ten arms recipients in the developing world in 2004 were in the Asian Region, which included China, India, Taiwan, Pakistan and South Korea (Grimmett, 2005).

Thailand, like most Asian region countries sources their defense products requirements through import from the world's major suppliers. Purchases of such military equipments are done by the Thai military and police force, better known as Royal Thai Armed Forces (Army, Navy and Air Force) and Royal Thai Police as well as other Government Agencies and Departments through government procurements with the budget allocated to the Ministry of Defense by the Thai Government. There are three defense procurement processes in Thailand, first, through Foreign Military Sales (FMS)

program which is government to government sales, second via public tenders and third by direct commercial sales from foreign manufacturers (Pacific Rim Diversification and Defense Market Guide, 1997).

Public tenders and direct sales require the services of Local distributors or agents, one of which is G.H. International Company Limited which is the main source and focus for this research.

Products and services supplied in the Arms or Defense industry have crucial impact on relations between and within countries, the activities of the industry are therefore subject to measures of regulation and control by governments. The defense procurement in Thailand inhabits certain requirements and conditions and export of most defense products are controlled by the supplier's government, these political factors may serve as barriers or constraints and affect the export trade of these products to Thailand. In addition, other general factors that affect international trade including communication barriers and cultural differences also affect the export of defense products.

Terrorism has changed the global defense industry, global security has become more uncertain than it was a few years ago, and the demands on defense forces everywhere have become correspondingly more complex. As the threat of international terrorism increases, the needs for protection and security and hence defense product and equipment have also increased accordingly throughout the world including Thailand (Hooke, 2005). Other than increasing the demand for defense equipment, terrorism has also caused stricter rules and regulation to be imposed for export and transport of these equipments. Terrorism can therefore be considered one of the factors affecting export trade by introducing new or worsening existing barriers in the export of defense products.

This research therefore aims to identify the nature and extent of the barriers to suppliers in export of defense products to the Thai military and police force, focusing on collecting information from suppliers or exporters of only firearms and ammunitions, which is a major product category under the defense industry. The result of the research

will be used to seek ways to reduce or eliminate the problems. Information for this research will be collected from suppliers of G.H. International Co., Ltd.

### **Company Background**

G.H. International Co., Ltd. (GHI) was set up in 1974 by Mr. Gurmokh Singh Sachdev. It is a family owned business and the current Managing Director is Mr. Sarabjit Singh Sachdev. It is located on Sukhumvit Road in Bangkok and currently has 32 employees. GHI is one of the main importers and distributors of defense products and equipments such as firearms and ammunitions, explosives, pyrotechnics, law enforcement products, NBC protection equipments, security products and other defense products, to the Royal Thai Government Agencies and Departments. The main suppliers of defense products and equipments that GHI represents are mostly from the US, the United Kingdom and other European Countries. There are also few suppliers from Asian countries, South America, Canada, South Africa and Australia.

GHI has few main competitors in this industry. However, having been established since 1974, GHI has competitive advantage in terms of experience and relationship with Government Authorities. GHI also serves as exclusive representatives for many major suppliers of defense and security products throughout the world.

GHI provides services in two types of government procurement. The first and most common type is through local or public tender, in which GHI acts as a distributor. In this type of procurement, GHI will first select the best source for the particular product in demand based on government specification, and will obtain the quotation and all required information and documents from the supplier, after which GHI will submit the bid along with confirmation of the specifications, catalogues and all required documents. When the bid is opened, if GHI conforms to all requirements and has lowest bid, the contract will then be signed between GHI and end-user. GHI will then apply for the End-User Certificate (EUC) from the concerned authority and send to supplier along with the Purchase Order; in order for the supplier to use these and in some cases other documents



such as DSP-83 form and or BXA-711 form as required by US suppliers, to apply for the Export License, if required. The approval of Export License usually takes about four weeks, but due to terrorist attacks and the problem in the Southern provinces of Thailand, there are stricter regulations and the approval of license currently takes longer time. After the Export License is approved, the supplier will start production, after completion of which GHI will co-ordinate with the supplier and forwarding agent for shipment of the goods to Thailand, to ensure delivery to the Authorities before contract expiry.

However, with the current situation of threat of terrorism causing delay in the approval of Export License and also in finding Thai-Flagged vessel, which is required for all shipment by sea for goods purchased through government procurement; the whole process may be delayed and goods may be delivered to the end-user after the contract is expired. This will cause the local representative to be penalized according to rules and regulations in the contract, which usually will be claimed from the suppliers.

Goods purchased by Thai government agencies are entitled to duty exemption, GHI must therefore apply for Import Duty Exemption certificate from authorities before goods arrive, in order to use it for clearance of goods from the Customs Department. When shipment arrives at Bangkok or neighboring ports, GHI will clear the goods and deliver them directly to the end-user's warehouse to wait for sample testing procedures. Only after testing and final acceptance of the goods by authorities will GHI place the money collection document and wait for payment from the end-user, which will take about few months. The payments to suppliers are however made based on the payment term which is usually advance payment prior to shipment. In this type of procurement, if any of the clauses in the contract are not met, GHI will be liable for the penalty charges.

Another procurement procedure is through International tender or Direct Deal, where GHI only acts as a coordinator between the end-user and the supplier receiving return in terms of commission. Contract and payment is made directly between End-user and Supplier. In this case, the supplier will be penalized if any clause in the contract is not met.

GHI also sells defense products and equipments to the Thai commercial retails market through its sister company, Thai National Trading Limited (TNT), who is the authorized importer of firearms and small caliber ammunitions for many retailers or gun shops, including subsidiaries of its own. For the commercial market, the import and sale is based on quota system. Currently, one quota holder can purchase and sell only 30 hand guns and 50 rifles each year.

### **Defense Industry Overview**

“While there is no clearly defined ‘defense industry’ as a distinct industrial sector, it is evident that the production of armaments for use by national defense forces, and related activities, requires special control measures by governments and forms an identifiable cluster of activities which are recognized globally and to which some specific economic and political processes apply” (National Conventional Arms Control Committee, 1999)

Armed forces procure a wide range of goods and services from the industry, some of which have been developed for military purpose such as combat aircraft, combat ships, armored vehicles, and guns, others are produced for military purpose but can also be used by civilian purposes, and vice-versa such as certain transport and communication equipment, logistical services and a wide range of general purpose goods (Weidacher, 2002). However, as stated by Grover and Bernie (1999), as the defense procurement agencies around the world pursue policies of “commercial-off-the-shelf” procurement, commercial-defense production integration, dual-use technology, and use of commercial standards and practices in place of military standards, the tradition demarcation between ‘defense’ and ‘non-defense’ products and services will continue to blur.

The end of the Cold War left the defense industry at a major turning point. Since the end of World War II, most countries had developed the idea that a major feature of security policy was the Defense Industrial Base (DIB). Instead of converting car or bus

production to manufacturing fighter aircraft or tanks in times of war, nations maintained their own defense industries, constantly ready to respond to threat. However, it is an expensive attribute to maintain and most governments have realized and they simply cannot afford to have an appropriate national capability in very area of defense. They have responded in three ways: reducing the cost of maintaining a domestic industry, generally by privatization; actively engaging in the international trade in defense equipment; and forming alliances and pooling resources with like-minded nations (Hooke, 2005).

Significant parts of arms production facilities in major arms producing countries were managed and owned by national governments during the 20<sup>th</sup> century. A privatization wave that swept the arms industry in the 1990s has reduced the number of government owned companies. However national governments largely finance, regulate, and control the development and production of arms within their countries. Often the primary customers of the arms industry also provide financial and political support for the sale of weapons to foreign governments (Weidacher, 2002). Exporting defense equipment has therefore become an important element of most nations' security policy (Hooke, 2005).

The trend in transfers of major conventional arms, as measured by the SIPRI trend-indicator value, is apparently changing from a downward trend since 1997 to a more or less stable trend in 2000-2002 to a slightly upward trend in 2003-2004 (Wezeman & Bromley, 2005). The major determinant of the world trend in military expenditure is the change in the USA, which makes up 47 percent of the world total. US military expenditure has increased rapidly during the period 2002-2004 as a result of massive budgetary allocations for the 'global war on terrorism', primarily for military operations in Afghanistan and Iraq (Skons, Omitoogun, Perdomo, Stalenheim, 2005).

The threat of international terrorism has simultaneously increased, with the rise of Islamic fundamentalism and growing hostility towards the US in certain quarters of the world. Global security has thus become more uncertain than it was a few years ago, and

the demands on defense forces everywhere have become correspondingly more complex (Hooke, 2005).

Asia has overtaken the Middle East as the largest arms market in the developing world, with India and China locked in a grueling race to purchase weapons from Russia (Bangkok Post, September 3, 2005)

### **Defense Industry in Thailand**

Thailand has been highly successful in maintaining its independence and national security in a part of the world where dissension, struggles for power, territorial takeovers, armed insurgency, and war have been common.

Before 1970s domestic defense production was extremely limited. However August 1976, the Ministry of Defense (MOD) invested in local production of small caliber ammunition and the government operated facilities for limited rebuilding and modernization of military vehicles, aircraft engines and helicopters. Government aid to a privately owned company was also given that manufactured small arms, ammunition, gunpowder and other explosives (<http://www.globalsecurity.org/military/world/Thailand/industry.htm>)

Thailand's domestic defense industry capabilities are rudimentary. Although Thai industry is able to produce some forms of ammunition, the Ministry of Defense (MOD) relies heavily on foreign sources for virtually everything else such as transportation, communication gear, weapons. The US traditionally has been primary source of defense equipment. Traditional European suppliers are the UK, France, Germany, Italy, Spain and the Czech Republic (Pacific Rim Diversification and Defense Market Guide, 1997). As reported by Garcia (2004) in the Center of Defense Information (CDI)'s report on Thailand, the US has been furnishing Thailand with military equipments and assistance since the 1950s. In addition to granting Thailand increased military assistance since September 11, 2001, the U.S. administration gave Thailand Major Non-NATO Ally



(MNNA) in October, 2003. MNNA status was given to Thailand specifically for their long-standing alliance with the United States and for support and assistance in the “War on Terror”.

Thailand has been a treaty ally of the United States for nearly 50 years, since the 1954 Manila Pact and the alliance partnership has continued to expand over the years. MNNA Status does not entail the same mutual defense and security guarantees afforded to North Atlantic Treaty Organization (NATO) members. Under one provision, the designation of a country as a MNNA, permits firms of the country to bid on certain US Government contracts for maintenance, repair or overhaul of Department of Defense (DOD) equipment outside the Continental US; makes a country eligible for certain joint counterterrorism research & development projects; allows DOD to enter into cooperative R&D projects with the country to improve conventional defense capabilities on an equitable cost-sharing basis. Under another provision, the designation makes a nation eligible, to the maximum extent feasible, for priority delivery of excess defense articles if it is on the South or Southeastern flank of NATO; to buy depleted uranium ammunition; to have U.S.- owned War Reserve Stockpiles on its territory outside of U.S. military installations, to enter into agreements with US Government for the cooperative furnishing of training on a bilateral or multilateral basis under reciprocal financial arrangements that may exclude reimbursement for indirect costs and certain other charges; to use U.S. provided Foreign Military Financing for commercial leasing of certain defense articles; and eligible for loans of materials, supplies and equipment for cooperative R&D projects and testing and evaluation; for expedited processing of export licenses of commercial satellites, their technologies, components, and systems (<http://bangkok.usembassy.gov/apec2003/factsheetmnna-t.htm>).

Thailand's yearly defense spending is about US\$ 4 to 4.3 billion. Most military hardware and software acquisitions are initiated by the individual military branches within the Royal Thai Armed Forces which are divided into: the Royal Thai Army (RTA), Royal Thai Navy (RTN) and Royal Thai Air Force (RTAF) (Pacific Rim Diversification and Defense Market Guide, 1997).

## 1.2 Statement of Problems

The barriers of export trade to developing countries such as Thailand have been acknowledged to be both numerous and diverse in composition. More so barriers exist for the export trade of government controlled products such as defense products and consequently affect the flow of work and performance of supplier of such products. However, unlike most other products, export and procurement of defense products are controlled by specific laws and regulations of local and foreign governments, the barriers that defense trade faces are therefore likely to be different.

The trigger for conducting this research had been the complaints from international suppliers regarding the political matters, in terms of rigid Thai government policies and regulation and the cultural differences in Thailand that most of the time becomes an obstacle in interacting, trading and exporting to the Thai military and police force.

Some factors have however been initially identified in the pilot study as those causing problems and the factors are focused on for this research to find out whether and if so the extent of their affect on export of arms and ammunitions to Thai military and police force. The factors include, Thai government procurement requirements such as bidding documents, which are usually numerous and require certification by many agencies including notary public, Thai Embassy or Thai Consulate which may not be situated in supplier's city, state or country; Thai Government contract conditions such as the Thai maritime law requiring that for shipment by sea and on route that Thai-flagged vessel operates shipment must be on Thai-flagged vessel only, which is usually difficult to find and very expensive, other contract conditions include delivery period which is sometimes difficult to meet and rigid policy on penalty charges for late delivery; foreign export control of arms according to the regulations of different countries such as requirements for export license. These factors including export and transport control are becoming crucial in today's uncertain world due to the affect of terrorism, which is also determined in this study. In addition to political factors, general cultural and technological factors that affect international trade of other products may also affect the

trade of defense products. The problems in communication due to differences in culture and language as well as the outdated technology infrastructure of Thailand are examples of these barriers.

Having roughly pointed out certain problems, this research aims to identify and determine the extent of barriers in exporting firearms and ammunition to the Thai military and police force, specifically on identifying which of the factors (including Bidding Requirements, Contract Conditions, Work Process of Thai Authorities, Foreign Export Control, Shipment, Terrorism, Culture and Technology) are correlated factors to export barriers. These export barriers affect the performance of suppliers and sometimes distributors, in terms of higher cost and expenses of doing business. Clear identification of the barriers will serve as crucial information for understanding and use in improvements by end-users (Government Authorities), distributors and suppliers themselves.

### **1.3 Research Objectives**

This study aims to identify the barriers suppliers face in exporting firearms and ammunitions to the Thai military and police force. The research attempts to achieve the following specific objectives.

- 1 To identify and determine the extent of barriers in exporting firearms and ammunition to the Thai military and Police force.
- 2 To gain insight on supplier's suggestion of ways to improve the flow of trade, elimination or reduction of barriers.
- 3 To use the findings of this study to propose to the Thai government agencies and departments to consider improving certain procedures or being more lenient and flexible in certain cases which may help to reduce or eliminate the identified problems.

#### 1.4 Scope of the Research

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With the pilot study having been initially conducted to identify and determine the barriers in exporting defense products to Thailand, the scope of the research was narrowed down from identifying the factors affecting export of all defense products to Thailand to identifying factors or barriers affecting export to Thai military and police force of only Firearms and Ammunitions, which are the major product category in the defense industry. The variables for determining the constraints included but were not limited to those identified in the Pilot Study.

The target respondents for this research were export managers or other management level personnel dealing with export to Thai market, of organizations around the world that manufacturer and/or supply firearms and ammunitions and of which G.H. International is their representative in Thailand. Questionnaires were used for collection of data from the research's entire population which is 41 suppliers.

#### 1.5 Limitation of the Research

- 1 This research focuses on collecting information from suppliers of only Firearms and Ammunitions and therefore may not serve as a generalization for the entire defense industry.
- 2 Limited population and thus limited number of respondents, as it was only possible to collect information from suppliers that G.H. International Co., Ltd represents in Thailand.
- 3 The research was time consuming, as questionnaires were not distributed personally but through email or fax, therefore regular contact with suppliers through phone conversations was needed to request for their response as well as to answer to any inquiries they had. This caused delay in the data collecting process.
- 4 There are very few previous researches directly related to the topic of this study.



- 5 There are more laws and regulations that are usually available in Thai, rather than specific theories supporting this research topic.
- 6 This research was conducted in specific timeframe, in the year 2005, therefore, its findings may not be generalized for all times.

## 1.6 Significance of the Study

Firstly, and most importantly this research helps identify the nature, determine the extent of and explain the barriers suppliers face in exporting firearms and ammunitions to the Thai military and police force, which will provide better understanding for the customers, suppliers, distributors and other interested parties on the identified factors serving as barriers. Having clearly identified the barriers, the findings of the study can be provided and proposed to the Thai Military or Government agencies for their considerations in improving the procurement procedures, contract requirements, language proficiency and/or technological infrastructure in order to reduce or eliminate the factors serving as problems that may affect the performance and willingness of suppliers and to help maintain or increase their export trade with Thailand.

The ultimate result may consequently benefit both the suppliers and end-users in terms of easier and faster work flow. In addition, with fewer barriers, more suppliers will also be interested or willing to export their quality products to the Thai military and police force. This will help to increase their export market as well as provide more choices for the Thai military and police force. The anticipated final result of improvements may also benefit G.H. International with easier and faster co-ordination between suppliers and end-users and provide more revenue with less cost of doing business.

## 1.7 Definition of Terms

**Agent:** In a general sense, a person who acts on behalf of another person. This may include selling agents or buying agents. Sales agents are sometimes called sales

representatives or manufacturer's representatives. Their role is to perform services for their principal, such as obtaining orders, and they are usually paid a commission for their services (Johnson, 1997).

**Ammunition:** Projectiles, such as bullets and shot, together with their fuses and primers, that can be fired from guns or otherwise propelled (<http://www.dictionary.com>)

**Armed Forces:** The military forces of a nation or a group of nations (<http://www.militaryworld.com>).

**Barriers:** a structure or object that impedes free movement; any condition that makes it difficult to make progress or to achieve an objective (<http://www.dictionary.com>)

**Bid Bond:** When an exporter is bidding on a foreign contract, a bid bond guarantees that the exporter will take the contract if it is awarded. If the exporter fails to take the contract, it will have to pay a penalty in the amount of the bond. A bid bond is usually requested by a foreign organization to screen out weak contenders. Your financial institution or the Export Development Corporation can assist in financing and issuing these bonds (<http://www.etfinancial.com>).

**Bill of Lading (B/L):** A document issued by a carrier (railroad, steamship, or trucking company) which serves as a receipt for the goods to be delivered to a designated person or to his order. The bill of lading describes the conditions under which the goods are accepted by the carrier and details the nature and quantity of the goods, name of vessel (if shipped by sea), identifying marks and numbers, destination, etc. The person sending the goods is the "shipper" or "consignor", the company or agent transporting the goods is the "carrier", and the person for whom the goods are destined is the "consignee." Bills of lading may be negotiable or non-negotiable. If negotiable, i.e., payable to the shipper's order and properly endorsed, title to the goods passes upon delivery of the bill of lading (Johnson, 1997).

**Cargo:** Goods, merchandise or commodities of every description that may be carried aboard a vessel, in consideration of the freight charged; does not include provisions and stores for use on board (<http://www.etfinancial.com>).

**CIF:** Cost, insurance, freight. A pricing term indicating that the cost of the goods, insurance, and freight are included in the quoted price. Under this term, the seller quotes a price for the goods (including insurance), all transportation, and miscellaneous charges to the point of debarkation for the vessel (typically used for ocean shipments only. CIP, or carriage and insurance paid to, is a term used for shipment by modes other than water) (<http://www.etfinancial.com>).

**Commercial Invoice:** A document prepared by the exporter (seller) describing the goods being sold, the sales price for the goods, and other charges being billed to the purchaser. Because a commercial invoice is commonly required in order to enable the purchaser to clear the goods through customs, it is necessary to include all information required by the purchaser's country. This may include legislation of the commercial invoice by the purchaser's country's embassy or consulate in the exporter's country, certification by a chamber of commerce in the exporter's country, or particular statements, certifications, or information in the invoice (Johnson, 1997).

**Customs:** The authorities designated to collect duties levied by a country on imports and exports. The term also applies to the procedures involved in such collection (<http://www.etfinancial.com>).

**Duty:** The tax imposed by a customs authority on imported merchandise (Johnson, 1997).

**Export:** Goods and services one country produces and sells to other (<http://www.etfinancial.com>)

**Export License:** A permit required to engage in the export of certain commodities to certain destinations. In the United States such controls are usually determined by the Department of Commerce, Bureau of Export Administration; the Department of State, Office of Defense Trade Controls; or Department of Treasury, Office of Foreign Assets Control. Controls are imposed to implement U.S. foreign policy, ensure U.S. national security, prevent proliferation, or protect against short supply (Johnson, 1997).

**Firearms:** A weapon, especially a pistol or rifle, capable of firing a projectile and using an explosive charge as a propellant (<http://www.dictionary.com>).

**Force Majeure:** The title of a standard clause often found in contracts for sales of goods or transportation exempting the parties from liability for non-fulfillment of their obligations by reason of certain acts beyond their control, such as natural disasters or war (Johnson, 1997).

**Freight Forwarder:** A person that dispatches shipments via common carriers and books or otherwise arranges space for those shipments on behalf of shippers and processes the documentation or performs related activities incident to those shipments (Johnson, 1997).

**Government Procurement:** The procurement of material, supplies, or services by an officially designated command or agency with funds specifically provided for such procurement for the benefit and use of the entire component, or, in the case of single managers, for the Military Departments as a whole (<http://www.militaryworld.com>).

**Import License:** A document required and issued by some national governments authorizing the importation of goods into their individual countries (<http://www.etfinancial.com>).

**Munitions:** A complete device charged with explosives, propellants, pyrotechnics, initiating composition, or nuclear, biological or chemical material for use in military operations, including demolitions. Certain suitably modified munitions can be used for

training, ceremonial or non-operational purposes. It can also call ammunition (<http://www.militaryworld.com>).

**NBC Protection:** The military equipments to protect against Nuclear, Biological and Chemical gas or substances, such as gas mask, NBC suite, etc (<http://www.militaryworld.com>).

**Notary Public:** An official certified to take affidavits and depositions from members of the public (<http://www.etfinancial.com>).

**Packing List:** A list which shows numbers and kinds of packages being shipped, totals of gross, legal, and net weights of the packages, and marks and numbers on the packages. The list may be requested by an importer or may be required by an importing country to facilitate the clearance of goods through customs (<http://www.etfinancial.com>).

**Performance Bond:** If a foreign contract is awarded, a performance bond may be required of an exporter to guarantee that they will manufacture and deliver the goods to the purchaser in accordance with the specifications and delivery schedule. Financial institution or the Export Development Corporation can often assist in financing these bonds (<http://www.etfinancial.com>).

**Purchase Order:** A document used to formalize a purchase transaction with a supplier. A purchase order, when given to supplier, should contain statements as to the quantity, description and price of the goods or services ordered; agreed terms as to payments, discounts, dates of performance, transportation terms, F.O.B. point and all other agreements pertinent to the purchase of its execution by the vendor (<http://www.etfinancial.com>).

**Pyrotechnics:** A mixture of chemicals which when ignited is capable of reacting exothermically to produce light, heat, smoke, sound or gas, and may also be used to



introduce a delay into an explosive train because of its known burning time. The term excludes propellants and explosives (<http://www.militaryworld.com>).

**Quota:** A limitation or restriction on the quantity or duty rate payable on imported goods (Johnson, 1997).

**Sales Agreement or Contract:** The agreement, oral or written, between the exporter (seller) and the importer (purchaser) describing the terms and conditions upon which the seller and purchaser will execute the sale and describing the rights and responsibilities of each party (Johnson, 1997).

**Shipment:** A shipment is all of the cargo carried under the terms of a single bill of lading (<http://www.etfinancial.com>).

**Shipping Terms:** Terms used in price quotation that include the cost of the merchandise plus the cost of any other services that the beneficiary of a letter of credit had to pay for shipping the merchandise. The "price quote" is embodied in the letter of credit so that the beneficiary will be reimbursed under the letter of credit for the cost of the merchandise plus the cost of the prepaid services (<http://www.etfinancial.com>).

**Specification:** A clear and complete descriptive statement covering the technical point of any item ordered. A specification using a proprietary name or equal is acceptable (<http://www.etfinancial.com>).

**Tender:** A solicitation or request for quotations or bids issued by a prospective purchaser, usually a government entity, to select the supplier or seller for procurement or project (Johnson, 1997).

**Terrorism:** Any action that is intended to cause death or serious bodily harm to civilians of non-combatants, when the purpose of such an act, by its nature or context, is to intimidate a population, or to compel a Government or an international organization to do or to abstain from doing any act (Panyarachun, 2004)

## CHAPTER II

### REVIEW OF RELATED LITERATURE AND STUDIES

This chapter reviews the theories, laws and regulations and past researches related to this study. The discussion is divided into two main sections; the first section provides the different laws and regulations governing procurement, import, export and shipment of firearms and ammunitions, reviews the issue of terrorism and provides other theories supporting the framework of the study, covering all definitions and concepts related the dependent and independent variables. Previous researches related to this study are discussed in the second section.

#### 2.1 Theories Related to the Independent Variable(s)

##### Bidding Requirements

According to Johnson (1997) tender is solicitation or request for quotations or bids issued by a prospective purchaser, usually a government entity, to select the supplier or seller for procurement or project.

A specific set of rules, commonly referred to as the Prime Minister's Procurement Regulations, governs public-sector procurement for ministries and state-owned enterprises (Zoellick, 2004). According to the Prime Minister's Procurement Regulations, (2003-2005), the general 'Instructions to Bidders' for participating in Government Procurement Tenders is enclosed in Appendix A, which includes the qualification of bidder, documents to be submitted along with the bids, procedure for submission of Bid and other requirements.

Most military hardware and software acquisitions are initiated by the individual military branches within the Royal Thai Armed Forces. Each service makes known its specific requirements for an intended acquisition, including prices, expected payment schedule, etc., and then approaches governments or invites bidders to compete for the order (Pacific Rim Diversification and Defense Market Guide, 1997).

More specifically, an example of Instruction to Bidder for purchase of ammunition by an Armed force Department – The Ordnance Department of the Royal Thai Army, is provided in Appendix B. Per this instruction, example of documents required to be submitted with the bid includes :

- A copy of the firm/company's manufacture license or a letter issued by concerned reliable agency/agencies of the manufacturer's country certifying the registration of the manufacture.
- A copy of the firm/company's commercial license.
- In case the firm /company's manufacture license or commercial license are not available a letter issued by the concerned reliable agency/agencies of the manufacturer's country certifying the existence of the bidder's factory and capability to supply the required item must be submitted.
- In case the bidder is/are the manufacturer's representative/representatives, a copy of letter certifying the appointment of the representative/representatives (issued from the manufacture) have to be submitted.
- List of the firm/company/partnership members or committee who are authorized to sign on behave of the firm or company in order to conduct legal acts or to use the company's sealed (If have any)
- Catalogues and or drawing or photograph of detail/list of the Item's Specifications
- In case the bidder sends his representative to sign the Price offered sheet the representative must provide an authorization letter appointing him to sign the Price offered sheet.
- Any document made in the bidder's country that the bidder (or seller/employee/contractor in case the bidder is awarded to be the

seller/employee/contractor) uses for bidding, making the contract, amending the contract, extending the time schedule of the contract, cancel or reduce the penalty or any action involving official procedures/protocols (purchasing/ employing/ other contractual issue) must be signed by the person legally appointed from the concerned authority and must be certified, in order, by the respective authorities.

The document mentioned above will only be correct ones by certifying in cases as follow:

- Certified by the authority from the Ministry of Foreign Affair or Notary Public of the country in which the document is/ are made or certified by other concerned agency in accordance to the law of the country in which the document is/are made then Certified by the authority from the Royal Thai Embassy or the Royal Thai Consulate that are located in the country in which the documents are made and then certified by the authority of the Ministry of Foreign Affairs of Thailand.
- Certified by the authority from the Royal Thai Embassy or the Royal Thai Consulate which are located in the country in which the documents are made and then certified by the authority of the Ministry of Foreign Affairs of Thailand. (In case the person who is authorized to sign the document brings them to the Royal Thai Embassy or the Royal Thai Consulate that are located in the country in which the documents are made and signs them before the authority of the Royal Thai Embassy or the Royal Thai Consulate there)
- Certified by the authority from the Ministry of Foreign Affair or Notary Public of the country in which the document is/are made or other concerned agency in accordance to the law of the country in which the document is/are made then send the documents to be certified by the authority from the Embassy or Consulate of the country in which the document is/are made that are located in Thailand and then certified by the authority of the Ministry of Foreign Affairs of Thailand. (In case there are no Royal Thai Embassy or Royal Thai Consulate located in the country in which the document is/are made)

- Certified by the authority from the Embassy or Consulate of the country in which the document is/are made, which are located in the Thailand and then certified by the authority of the Ministry of Foreign Affairs of Thailand. (In case the person who is authorized to sign the document brings them to the Embassy or Consulate of the country in which the document is/are made that are located in the Thailand and signs them before the authority of the Embassy or Consulate of the country in which the document is/are made which are located in Thailand)
- The document in other foreign language must be translated into Thai by a translation expert registered with the Thai Ministry of Justice. If there is any problem in the interpretation of the document in Thai and the original document, the Thai version shall prevail. If the authorities inquire any problem in the interpretation unfair to other bidder, The Ordnance Department, RTA shall consider that bidder contain condition differ from the official conditions and, may, will not consider the price quotations.

As per regulation, each bidder shall be entirely responsible and shall bear all cost associated with the preparation and submission of the bid, and the Department shall have no responsibility or liability in this respect irrespective of whether the bid is awarded or cancelled or awarded to a bidder of the Department's choice.

According to the information provided in <http://www.thaiembassy.org>, the Thai Embassy and Thai Consulates, which are required for certification of bidding documents are available in the following City, State and Country.

- Royal Thai Consulate – General in Australia
- Royal Thai Embassy in Vienna, Austria
- Royal Thai Embassy in Brussels, Belgium
- Royal Thai Embassy in Ottawa, Canada
- Royal Thai Consulate General Vancouver, Canada
- Royal Thai Embassy in Beijing, China



- Royal Thai Consulate-General in Hong Kong, China
- Royal Thai Consulate-General in Shanghai, China
- Royal Thai Consulate-General in Shanghai, China
- Royal Thai Embassy in Berlin, Germany
- Royal Thai Embassy in New Delhi, India
- Royal Thai Embassy in Baghdad, Iraq
- Royal Thai Embassy in Phnom Penh, Cambodia
- Royal Thai Embassy in Nairobi, Kenya
- Royal Thai Embassy in Rome, Italy
- Royal Thai Embassy in Tehran, Iran
- Royal Thai Embassy in Tel Aviv, Israel
- Royal Thai Embassy in Tokyo, Japan
- Royal Thai Consulate-General in Osaka, Japan
- Royal Thai Embassy in Seoul, Korea
- Royal Thai Embassy in The Hague, Netherlands
- Royal Thai Embassy in Wellington, New Zealand
- Royal Thai Embassy in Islamabad, Pakistan
- Royal Thai Consulate-General in Karachi, Pakistan
- Royal Thai Embassy in Riyadh, The Kingdom of Saudi Arabia
- Royal Thai Consulate-General in Jeddah, The Kingdom of Saudi Arabia
- Royal Thai Embassy in Brasilia, Brazil
- Royal Thai Embassy in Bern, Switzerland
- Royal Thai Embassy in Lisbon, Portugal
- Royal Thai Consulate-General in Jeddah, The Kingdom of Saudi Arabia
- Royal Thai Embassy in Stockholm, Sweden
- Thailand Trade and Economic Office Taipei, Taiwan
- Royal Thai Embassy in London, United Kingdom
- Royal Thai Embassy in Washington D.C., United States of America
- Royal Thai Consulate-General in Chicago, United States of America
- Royal Thai Consulate-General in Los Angeles, United States of America
- Royal Thai Consulate-General in New York, United States of America

- Royal Thai Consulate-General in Ho Chi Minh, Vietnam
- Royal Thai Embassy in Dhaka, Bangladesh
- Royal Thai Consulate-General in Frankfurt, Germany
- Royal Thai Embassy in Santiago, Chile
- Royal Thai Embassy in Colombo, Sri Lanka
- Outpost of the Royal Thai Embassy in Pretoria, Antananarivo

### **Contract Conditions**

"The simplest possible description of a contract is 'a legally binding agreement'" as stated by Kelly and Homes (1997). According to Johnson (1997) a sale agreement or Contract is the agreement, oral or written, between the exporter (seller) and the importer (purchaser) describing the terms and conditions upon which the seller and purchaser will execute the sale and describing the rights and responsibilities of each party.

The Contract Conditions for general Government procurement of goods according to the Prime Minister's Procurement Regulation (2003-2005) is presented in Appendix C. This document defines 'the buyer' as the certain ministry of a certain department of Thailand which as invited bids for the supply and delivery of a particular product. 'the seller' is defined as the person or persons, partnership of company whose bid has been accepted by the Buyer and agrees to supply and deliver goods to the Buyer. The conditions specified in the contract include origin of the goods, delivery of the goods, inspection and acceptance of goods, terms and methods of payment, shipment and several others.

Conditions specified in a sales contract no. 13/ngor por. 2547 between the Naval Ordnance Department of the Royal Thai Navy and G.H. International Co., Ltd. which is selected as an example for emphasizing a few condition included namely, the conditions for delivery, shipment, penalty and extension of delivery date.

- **Delivery**

As per this contract, the delivery condition requires, complete goods with correct packing as per specified in the contract to be delivered to the procurement inspection building of the Naval Ordnance Department within 240 days from the day the contract is signed. Delivery of items according to the contract, either subject to single or multiple deliveries, the seller is required to notify the delivery date in documented form and submit to the Naval Ordnance Department at least three business days prior to the specified delivery date.

- **Shipment**

The shipment requirements for all government contracts, as stated in Appendix C are according to the Thai Maritime Law requiring, that if goods per contract are to be shipped by sea and on the route where Thai vessel are in carriage service and their space is available according to Notification issued by the Minister of Transport and Communication, the Seller must make arrangements for the shipment of such goods to Thailand by Thai vessels which enjoy the rights similar to Thai vessels unless permission has been obtained from the Office of Mercantile Marine Promotion Commission before such Goods are carried by non-Thai vessels or they are goods which, according to the Notification of Minister of Transport and Communications, may be carried by non-Thai vessels.

- **Penalty**

As per the conditions of this and most contracts with government or military department, upon the delivery due date or contract expiry date, if the seller does not deliver the items under the contract, can only make a partial delivery, or delivered goods are not accepted, the buyer may choose to exercise the right of contract termination, wholly or partially.

If the buyer terminates the contract, the buyer may confiscate the security bond or claim the bank issuing the performance security for the whole amount or partially as deemed appropriate. In addition, if the buyer had to purchase the same items from other sources in whole quantity or partially to cover the undelivered portion within five months from termination date, the seller must be responsible for compensating the increasing price over the price specified in the contract.

If the buyer does not exercise his right of contract termination, the buyer may impose penalty at the penalty rate of 0.2 percent per day of the total value of undelivered goods, from the date after the expiry date until the complete delivery is made.

If the purchased items come in set and the set is not completed, that is, any component or part is missing making the whole set not perfectly serviceable, the penalty computation shall be based on the price of the complete set. In this case it shall be regarded as the seller has not at all made any delivery of the whole item/ items.

- **Extension of Delivery Date**

As specified in this and most government contracts for procurement of defense goods, the condition for extension of delivery date states that: in case of force majeure or other circumstances due to the fault or defect of the buyer for which the seller does not take legal responsibility causing the seller not being able to deliver the goods per condition and delivery term according to the contract, the seller has the right to request for contract extension, exemption or reduction of penalty charges, for which the seller must inform these incidents or activities with evidence in the form of writing to the buyer within 15 days from the termination of such incident.

The contract extension, exemption or reduction of penalty charges is under the consideration of the buyer.

## **Shipment**

- **Maritime Law**

Maritime law or the international law of the sea according to Rodière, is the law that states the relationship between the governments for the use of the sea and the use of power of the governments over the territorial sea (Aekjariyakorn, 2003). As stated in general terms by Schoenbarum (1987), maritime law is the set of regulations, ideas and practice concerning the transport and trade by sea.

As defined by Tetley (2003), Maritime law is complete system of law, public and private, substantive and procedural, national and internal, with its own courts and jurisdiction. For centuries maritime law has had its own law of contract – of sale (of ships), of service (towage), of lease (chartering), of carriage (of goods by sea), of insurance (marine insurance being the precursor of insurance ashore), of agency (ship chandlers), of pledge (bottomry and respondentia), of hire (of masters and seamen), of compensation for sickness and personal injury (maintenance and cure) and risk distribution (general average). It is and has been national and international. Maritime law is composed of two main parts – national maritime statutes and international maritime conventions. Today's general maritime law consists of common forms, terms, rules, standards and practices of the maritime shipping industry.

Most of the Thai maritime laws have been adopted and brought into practice from other countries. Thai government has just begun to give importance to the maritime law in the last two decades. The Thai marine has been spending a lot of time in order to improve its ability to transport goods in and out of the country. This is done by different possible method, such as encouraging and supporting the investor to invest in marine business and by requiring all the goods purchased by Thai Government to be shipped by Thai Vessel in route where Thai Vessel operates (Aekjariyakorn, 2003).



On this concern, as stated in section 17 of the Merchant Marine Promotion Act, 1978, enclosed in Appendix D, goods ordered or imported by State agency, government agency, or State enterprise from foreign countries and carried by vessel shall be carried by Thai vessel if the carriage of such goods is made on the route in which Thai vessel provides carriage service and that service is available.

If the shipper cannot comply with above, section 19 and 20 of the Merchant Marine Promotion Act, 1978 require that: In the case where goods could not be carried by Thai vessel, the shippers shall apply to the Office (of Merchant Marine Promotion Act) for a written permit (sometime called waiver certificate) to carry such goods by other vessels under the rules and procedure as determined by the Office.

The Office shall, within five days as from the date of its receiving of such application inform the applicant of its decision of granting permission, or refusing the application. If the decision does not reach the applicant within five days, it shall be deemed that the permission has been granted.

The permission per above shall be granted if it appears that, there is no Thai vessel to call the port of shipment, or the space of Thai vessel is not available for such shipment, during the period of shipment; there is a particular Treaty or an Agreement between the Royal Thai Government and foreign government; or there is a special necessity.

This Act also mentions regarding the penalty charges that, a shipper who fails to carry the specified goods by Thai vessel or by a vessel granted with rights and benefits the same as Thai vessel shall be liable to a special fee equal to twice the freight money for such shipment.

Shipment by sea is important for Thailand's international trade. Most import and exports of Thailand, about 90% is by sea. In 1995, exports from Thailand was reported at 1.3 million, however most of the products were shipped by Non-Thai vessel. This may be due to the fact that few Thai vessels operate and most shipping agents are scattered

around the world, therefore monopoly may be formed and prices for freight and other charges may be raised without rationale, affecting transportation of goods and the Thai economy (Aekjariyakorn, 2003).

- **Shipment of Hazardous or Dangerous goods**

Hazardous Materials - Any substance or material that had been determined to pose an unreasonable risk to health, safety and property when transported in trade, traffic or ground transportation.

Dangerous Goods - Any substance or material that had been determined to pose an unreasonable risk to health, safety and property when transported internationally or via air cargo ([http://www.uos.harvard.edu/ehs/env\\_pro\\_dot.shtml](http://www.uos.harvard.edu/ehs/env_pro_dot.shtml)).

Items designated as dangerous goods must be shipped exactly according to IATA (International Air Transportation Association) regulations if by air, or other applicable regulations if by sea or ground.

The IATA regulations govern air transport not only in the US, but worldwide as well. The shipping of hazardous materials can pose a serious danger to anyone who might come in contact with the shipment. Therefore, it is critical that one carefully follows the rules so that any possible unsafe condition is minimized (<http://www-safety.deas.harvard.edu/shipping.html>). Shipper's responsibilities include identifying, classifying, packaging, marking and labeling hazardous materials or dangerous goods according to all national and international governmental regulations.

## Work Process of Thai Authorities

- **Government Procurement**

A specific set of rules, commonly referred to as the Prime Minister's Procurement Regulation, govern public-sector procurement for ministries and state-owned enterprises (Zoellick, 2004)

As provided in Pacific Rim Diversification and Defense Market Guide, 1997, the three procurement processes include, Foreign Military Sales FMS, which is government to government sales, public tenders and commercial sales from foreign manufacturers. The FMS program is coordinated by the Joint U.S. Military Advisory Group, Thailand (JUSMAGTHAI). Most military hardware and software acquisition are initiated by individual; military branches with the Royal Thai Armed Forces. For procurement of most major systems, special committees are formed composed of senior military officials. The procurement process is opaque, and politicization of the process has increased markedly.

All large procurements require cabinet approval. The Ministry of Defense can present any proposal for military procurement to the cabinet for approval. While other organizations, including the Foreign Affairs Ministry, the Finance Ministry, the Commerce Ministry, and the Office of the Prime Minister, have some influence over the approvals of large procurements, most inputs, comes from the individual military services.

All the military services, the Army, Navy, Air Force, and the Marine Corps, routinely seek to upgrade existing capabilities. Since Thailand, possesses a large standing force, the requirements for military equipments vary widely. However, due to tight defense budgets, the Thai military places strong emphasis on cost.

- **Ministry of Defense**

The Defense Ministry coordinates administration of the armed forces. The expenditures of the Defense Ministry are among the greatest of any ministry absorbing a large proportion of the total national budget. Thailand's fighting forces are governed by the Supreme Command Headquarters which is staffed by leaders of the Army, Navy and Air Force.

The Ministry of Defense supervises the operations and administration of the military establishment and coordinated military policies with those of other governmental agencies concerned with national security. The defense minister receives advice on military matters, particularly those pertaining to draft laws, budget allocations, mobilization, training, and deployment of the armed forces in response to national need from the ministry's defense Council. This body comprised of the Minister of Defense as Chairman, his two deputy ministers, the Undersecretary of Defense the Supreme Commander of the armed forces; the Chief of Staff of the Supreme Command; the commanders in chief of the three services, their deputies, and chiefs of staff; and not more than three additional general officers selected for their outstanding ability.

The Supreme Command Headquarters is the main operation component of the Ministry of Defense. It acts as the supreme command unit of the Royal Thai Armed Forces, its missions are to prepare armed forces for combat readiness, defend the kingdom. The headquarters headed by the supreme commander has the following sub-units: the Royal Thai Army, the Royal Thai Navy, the Royal Thai Air Force and Other Sub- Units as Stipulated in the Defense Act.

Each of the three armed services in headed by a commander in chief who was directly responsible to the supreme commander of the armed forces for the combat readiness and operation of his units. Although the three components were equal under the law, the army was in fact the dominant service. Key positions in both the armed forces high command structure and the cabinets of military regimes traditionally were held by

senior army officers. In order to ensure support from the other services, however, senior officers from the navy, air force, and police occasionally were appointed to a few key ministries. In general the structural form of service units and the method of their employment were similar to those of comparable United States military components, although they differed in size and in the technological sophistication of their equipment.

Royal Thai Army (RTA), the oldest and largest of the military services served as the mainstay of the kingdom's defense system. The commander in chief and his large staff of military specialists, headquartered in Bangkok, directed the arm in carrying out its mission. For tactical and administrative purposes, the army operated through four regional army commands. The army's top-heavy organizational structure and its role in political affairs diluted its effectiveness as a conventional combat force.

Of the three service branches, the Royal Thai Navy (RTN) was the least involved in national politics and therefore was able to concentrate more of its time and efforts on its security mission. The navy's combat forces included the Royal Fleet and Royal Thai Marine Corps. Naval affairs are directed by the country's most senior admiral from his Bangkok headquarters. The naval commander in chief was supported by staff groups that planned and administered such activities as logistics, education and training, and various special services.

The Royal Thai Air Force (RTAF) was the most recently formed of the three services. The air force has a command structure consisting of five groups: headquarters, logistic support, education, special services, and combat forces. The headquarters group in Bangkok performed the usual general staff functions, including planning and directing operations of the combat elements. The logistic support group provided engineering, communications, ordnance, transportation, quartermaster, and medical services support. The RTAF is considered the third strongest air force in the region, after Singapore and Malaysia (<http://www.globalsecurity.org/military/world/thailand/rtaf.htm>).



A study conducted by Stockholm International Peace Research Institute (SIPRI), on the Arms procurement decision making process in six major arms-recipient countries including Thailand, found that, in Thailand the formal process for long-term threat assessment and coordination between foreign and security policy-making processes are not well organized, which may affect the coherence of national security decision making; the influence of the military on national security and arms procurement decision was found to be high (Singh, 1999).

### **Export Control**

According to Czinkota, Ronkainen, and Moffett, (2004), export controls are designed to deny or at least delay the acquisition of strategically important goods by adversaries. The legal basis for export controls varies in nations. Nations control their export for reasons including short supply, national security and foreign policy purposes, or the desire to retain capital. Export control focusing on national security, is the control of weapons export or high-technology export that might adversely affect the safety of the nation.

As per (<http://www.sipri.org/contents/expcon/expcongen.html>), an export control system allows a choice to be made whether or not to allow an export to take place. An export control system is not an embargo. The fact that data is gathered on export and permission required before certain items can be exported does not imply that governments are attempting to deny any specific item to any specific end-user.

Export control laws play two main functions as per (<http://www.sipri.org/contents/expcon/legal.html>)

1. The law provides authority to interfere with the activities of an exporter and the powers needed to do so as well as establishing the rights and responsibilities of exporters;

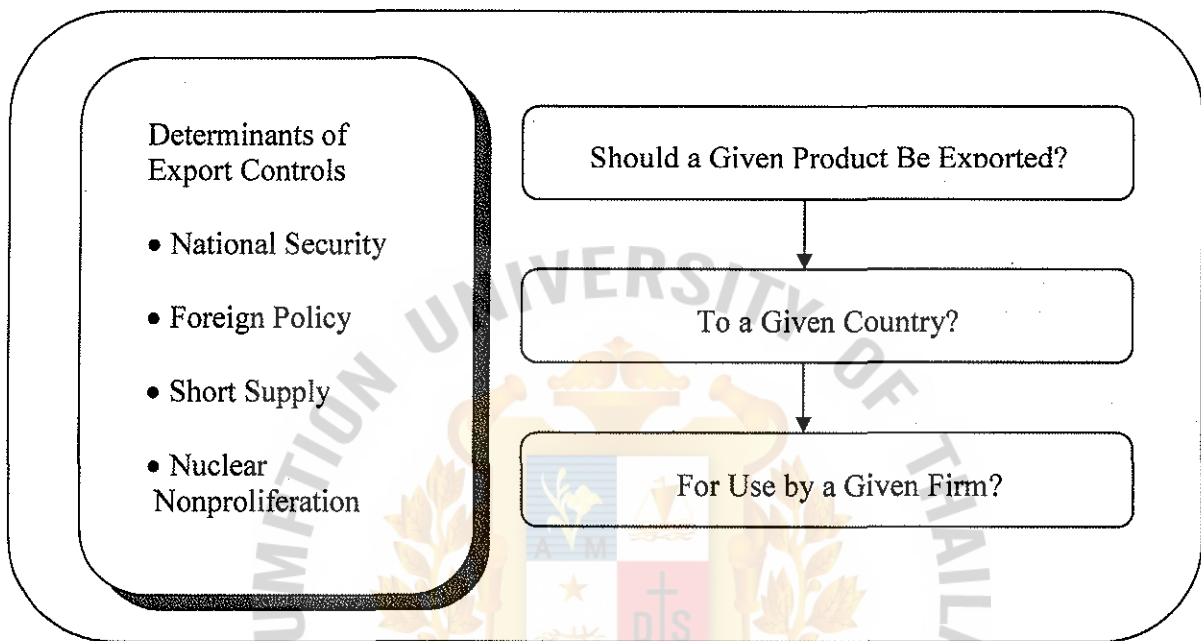
2. The law codifies and expresses the national view on what is legitimate and what is not legitimate in this area.

A license is required for export of goods which are under the export control. An export license is the instrument authorizing an export action. Depending on the specific elements of the national law of the country concerned, this authorization may be required at different stages of an export transaction. In some countries authorization is required to market controlled items, in some countries marketing activities may be carried out without the need for an authorization, but this authorization is required to negotiate and conclude a contract. In some countries authorization is required only at the point where an item is being transported across the customs boundary.

According to Johnson (1997), the supplier must provide certain documents to its own government in order to obtain an export license. The importer should also take certain steps in its purchase and sale documentation with the supplier to adequately obligate the supplier to obtain the necessary export licenses. The buyer should be aware that, if the seller is required to obtain an export license, the buyer will usually be required to provide an Import Certificate (End-User Certificate). The seller will be unable to apply for its export license until it obtains the Certificate and the buyer should obtain it and send it to the seller as soon as possible to avoid delays in obtaining the export license.

Czinkota, et. al (2004) shows the steps in the decision process of export license for US as follow:

Figure 2.1: U.S. Export Control System



The above figure shows the steps in the process of export license. After an export license application has been filed, specialist in the Department of Commerce match the commodity to be exported with the critical commodities list, a file containing information about products that are either particularly sensitive to national security or controlled for other purposes. The product is then matched with the country of destination and the recipient company. If no concerns regarding of the three exist, an export license is issued.

Export of Arms and Ammunitions are under the Export Control Regulations of different countries. Certain information on the Export Control regulations for U.S. and EU is provided:

- **The United States (Munitions and Arms Exports)**

Johnson (1997), under the Arms Export Control Act, exports and imports of defense articles and services are prohibited without a license. Export licenses are issued by the Department of State, Office of Defense Trade Controls (ODTC), under the International Traffic in Arms Regulations (ITAR). Items that are inherently military in character or that have substantial military applicability and have been specifically designed or modified for military purposes are included in the U.S. Munitions List. Prior to exporting any such item, the exporter must register with the ODTC on Form DSP-9, and an application to export the item must be filed on Form DSP-5. For some items, specified as “significant military equipment,” the applicant must obtain a signed Non Transfer and Use Certificate (DSP-83) from the consignee and end user prior to making application. In some cases, as a condition of granting the license, the ODTC may require that the applicant obtain an Import Certificate signed by the government of the foreign country and /or provide verification of delivery of the item to the foreign country. Different procedures and license forms apply to classified articles and technical data. Different procedures and forms also apply to direct, commercial sales and to sales to the United States Department of Defense for resale to foreign countries under the Foreign Military Assistance program. Before appointing any foreign distributors who are authorized to resell the products, the exporter must submit the distributorship agreement to the ODTC for approval.

Persons who violate the Arms Export Control Act are subject to the civil and criminal penalties under the Export Administration Regulations and can be debarred from exporting for a period of up to three years. The ODTC’s policy is that persons engaged in the export of defense articles and services should maintain an export procedure manual containing ODTC-specified policies and procedures to reduce the risk of violations.

- **The European Union Code of Conduct on Arms Export**

As provided by Bauer and Bromley (2004) in SIPRI policy paper, the European Union Code of Conduct on Arms Exports is a political agreement designed to set

common standards across the EU for the export of military equipment. Under its provisions, all EU member states have agreed to apply a standard set of criteria to assess applications for licenses for the export of military equipment. Member states have also agreed to share information, and in certain cases consult in advance, on their arms export licensing decisions. The EU code of conduct on arms export applies to the following countries: Austria, The Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, The Netherlands, Slovakia, Slovenia, Spain, Sweden, and The United Kingdom.

Currently, the export guidelines in the EU Code of Conduct set out eight criteria on which export licensing decisions should be based. These are linked to such considerations as human rights violations, regional stability and the risk that exports to one country might be diverted to another end-user that would not qualify as a recipient under the criteria. The criteria can be divided into two categories. One category outlines conditions under which the denial of licenses is obligatory. This is the case for: (a) an export that contradicts international commitments, such as a United Nations embargo or a treaty (criterion 1); (b) the existence of 'a clear risk that the proposed export might be used for internal repression' (criterion 2a); (c) an export which would 'provoke or prolong armed conflicts or aggravate existing tensions or conflicts in the country of final destination' (criterion 3); and (d) the existence of a clear risk that the export would be used 'aggressively against another country or to assert by force a territorial claim' (criterion 4).

### **Terrorism**

The term terrorism is used to define criminal acts based on the use of violence or threat thereof, and which are directed against a country of its inhabitants and calculated to create a state of terror in the minds of the government officials, an individual or a group of persons, or the general public at large. It could be the work of one individual, but more often than not is the effect of organized groups whose philosophy is based on the theory



that 'the end justifies the means' (Elagab, 1995). According to the US State Department the term "terrorism" means premeditated, politically motivated violence perpetrated against noncombatant targets by sub-national groups or clandestine agents, usually intended to influence an audience (Berrebi and Klor, 2005).

According to United Nations document entitled "A more secure world: our shared responsibility", a report of the high-level panel on Threat, Challenges and Change, under the chairmanship of Mr. Anand Panyarachun, one of the definition of terrorism, from the collective view of experts, is provided as "any actions, that is intended to cause death or serious bodily harm to civilians or non-combatants, when the purpose of such an act, by its nature or context, is to intimidate a population, or to compel a Government or an international organization to do or to abstain from doing any act"

Terrorism is a national, international and global issue and is the concern of many units and organizations. UN Secretary-General, Mr. Kofi Annan stated in October 2002 that "Terrorism is a global treat with global effects, its consequence affect every aspect of the United Nations agenda from development to peace, to human rights and the rule of law. By its very nature, terrorism is an assault on the fundamental principles of law, order, human rights, and the peaceful settlement of disputes upon which the United Nations is established. The United Nations has an indispensable role to play in providing the legal and organizational framework within which the international campaign against terrorism can unfold". (<http://www.unodc.org/unodc/en/terrorism.html>)

Terrorism is a threat to all that the United Nations stands for: respect for human rights, the rule of law, the protection of civilians, tolerance among peoples and nations, and the peaceful resolution of conflict. It is a threat that has grown more urgent in the last five years. Transnational networks of terrorist groups have global reach and make common cause to pose a universal threat. Such groups profess a desire to acquire nuclear, biological and chemical weapons and to inflict mass casualties. Even one such attack and chain of events it might set off could change our world forever. (<http://www.un.org/largerfreedom/chap3.htm>)

- **Terrorism affect on global defense spending**

As stated by Elagab (1995), Terrorism is not a modern phenomenon. Mankind has been affiliated with it for centuries. According to Hooke (2005), the world has changed after 9/11 (the terrorist attack in New York on September 11, 2001). The threat of international terrorism has simultaneously increased, with the rise of Islamic fundamentalism and growing hostility towards the US in certain quarters of the world. Global security has thus become more uncertain than it was a few years ago, and the demands on defense forces everywhere have become correspondingly more complex. Both of these factors have caused resurgence in expenditure on defense. Worldwide, spending fell by about a third between 1989 and 1996. But 9/11 and the Second Gulf War reversed this trend. According to the Stockholm International Peace Research Institute (SIPRI), global military spending increased by 18% in real terms between the start of 2002 and the end of 2003, reaching \$956 billion.

The top five countries, measured by military expenditure in 2003 – the US, Japan, UK, France and China, accounted for 64% of the world market, but the US continues to account for by far the biggest share.

The Thai government also recognizes the need to modernize the capabilities of the Thai military, in order to confront the growing insurgency in the south of the country. The insurgency is centered on the three provinces of Yala, Pattani and Narathiwat, which have Muslim majorities, and commenced in January 2004 and has rapidly grown in size, scope and cost. (Saw, 2005)

Besides increasing the global demand for defense related product, the threat of terrorism also poses certain problems including impact on transportation and logistic and demanding stricter export control.

- **Terrorism affect on logistic and transportation**

As discussed by Czinkota et. al., (2004), the entire field of supply-chain management and logistics has been thoroughly affected by newly emerging security concerns. After the 9/11, companies have had to learn that the pace of international transactions has slowed down and that formerly routine steps will now take longer. While in decades past many governmental efforts were devoted to speeding up transactions across borders, national security reasons are now forcing governments to erect new barriers and conduct new inspection. Logistics is one of the business activities most affected.

Modern transportation systems have proved to be critical to terrorist activities. On occasion, terrorists have even used transportation systems themselves to carry out their crimes. Logistics systems also serve as the conduit for the weapons or people who are planning to carry out attacks. These systems are the true soft spots of vulnerability for both nations and firms.

According to the research on Asian Security after September 11 by Acharya (2003), Southeast Asian regional security is confronted with the threat posed by transnational terrorism. Since September 11, 2001, a new challenge, that of transnational terrorism had come to dominate the security perceptions and agenda of Southeast Asian governments. Southeast Asia has been termed by some analysts as the “second front” in the global war on terror. This views rest on the belief that with its defeat in Afghanistan, Al-Qaeda elements have shifted their attention to Southeast Asia.

Ong (2004), stated that terrorism is not new to Southeast Asia. In the last few years, “maritime terrorism”, which is the acts of terrorism targeting ships at port or sea as well as ports themselves, has been added as another threat to Southeast Asia’s maritime security. While no actual acts of marine terrorism have been carried out as yet, intelligence analysts believe that regional terrorist networks will instinctively target the region’s maritime infrastructure, “the soft belly....that can be attacked with little effort.”

Another disturbing trend in maritime Southeast Asia is the rise of hijackings among incidents of piracy. From January to November 2002, there were between 20 hijackings along the Malacca Straits alone.

Earlier in 2002, Singapore intelligence disrupted an Al-Qaeda plot to attack a US ship docked in Singapore. Senior Al-Qaeda operative, Omar al-Faruq, who is now in American custody, also told officials of plans to attack an American naval ship in Surabaya, Indonesia's second largest port.

If regional terrorist groups are able to sustain their operations, the likely trend for maritime terrorism in Southeast Asia will probably be:

- (1) Suicide attacks on commercial and military vessels as well as ports.
- (2) hijacking for the purposes of:
  - (a) Carrying out a subsequent suicide attack on an unsuspecting ship or port (in the spirit of the September 11 attacks);
  - (b) Seeking ransom. Terrorists may want to trade hostages for members of their group detained by regional authorities;
  - (c) Smuggling weapons and explosives to their affiliates in other parts of the world.

- **Terrorism affects export control**

The UN has set up counter-terrorism strategy that they believe must be comprehensive and be based on five pillars or the elements of the strategy which includes:

- to dissuade disaffected groups from choosing terrorism as a tactic to achieve their goals;

- to deny terrorist the means to carry out their attacks
- to deter states from supporting terrorist;
- to develop state capacity to prevent terrorism
- to defend human rights in the struggle against terrorism.

With regards to denying terrorist the means to carry out their attacks, the UN refers to consolidating, securing, and when possible eliminating potentially hazardous materials, and implementing effective export controls (Panyarachun, 2004)

After a period in which arms control has been perceived as an issue of low political salience, in 2004 some new international efforts were made to strengthen global processes as a part of an emerging mosaic of arms control measures. UN Security Council resolved to take appropriate and effective action against any threat to international peace and security caused by the proliferation of NBC (Nuclear, Biological, Chemical) weapons and their mean of delivery. UN member states to adopt and enforce appropriate and effective laws prohibiting any non-state actor from manufacturing, acquiring, possessing, developing, transporting, transferring or using NBC weapons and their means of delivery in particular for terrorist purposes, as well as attempts to engage in any of the forgoing activities. Furthermore, states were instructed to put in place modern and effective national laws controlling export and trans-shipment of proliferation-sensitive items, and to establish and enforce appropriate criminal or civil penalties for violations of such laws, as mentioned by Anthony in SIPRI (2005).

In addition, the Center for Defense Information (CDI), Korb and Wadhams (2005), discussed that US should set example on limiting arms export, as the US role in the global arms trade is dangerous for international security and poses a threat to American people. This is because once US companies sell their arms to foreign countries, the American people have little or no control over how they are used and transferred. The US arms transfer had indirectly strengthened violent groups and problematic regimes in Afghanistan, Colombia, Haiti, and Liberia, contributing to widespread humans rights violation and instability. Many of the weapons used by the Taliban and Al Qaeda to fight



US troops during military operations in Afghanistan were originally sold to insurgents by the United States in the 1980s. Therefore, for its own security the United States needs to establish a clear set of eligibility criteria for US arms sales and reinvigorate efforts to create international agreement.

In US Post September 11 Arms Trade Policy by Stohl (2005), it explains that CDI (Center of Defense Information) developed a regular series in which countries that have a unique role in the “war on terror” are examined. In this kind of examination of Thailand by Garcia (2004), the U.S State Department, in its 2003 Human rights Report described Thailand as having a worsening human rights record, as it has experienced an increase in extrajudicial killings and arbitrary arrest. In terms of US Military assistance, Thailand has been a major supported and ally in the US “War on Terror”. Thailand has sent military engineering units to Afghanistan and Iraq, and Thai officials have made public statement in support of the effort to stamp out terrorism worldwide.

## **Culture**

Hodgetts and Luthans (2000) defined culture as the acquired knowledge that people use to interpret experience and generate social behavior. This knowledge forms values, creates attitudes, and influences behavior.

The elements of culture as identified by Czinkota et. al.,(2004) include language, religion, values and attitudes, manners and customs, material elements, aesthetics, education and social institutions.

- **Cultural Difference**

According to Randlesome and Butler (1992), cultures vary in a variety of significant ways. There are very clear differences which have been explored by

researchers in this field, every one of which has clear implications for managing people according to their different perspectives:

- Perception of the individual: this relates to perception of whether the individual is fundamentally good or evil, or a mixture of both. Where the individual is seen as basically good, there is high trust - doors are left unlocked and promises expected to be fulfilled. The opposite view leads to crime-preventing systems and self-protection measures.
- Relationship to the environment: the developed countries tend towards dominating the environment, demonstrated in the quest for methods of harnessing wind and wave power. In other cultures, such as China, being in harmony with nature is paramount.
- Individualism: individualist cultures value the rights of the individual over those of a group. Cultures with group-oriented values are known as "collectivist". This difference has a fundamental impact on the way human resources are managed-appraisal, remuneration, motivation and so on.
- Activity orientation: cultures tend towards action (doing), or being, which relates to a more passive, present-oriented tendency. Western cultures tend to value and stress action and change. This contrast with other cultures where the process of experiencing and enjoying life is more important.
- Time: the time orientation is often one of the most visible cultural differences. The US view of time is very much as a commodity, to be earned, spent, wasted and managed. This can seriously clash with other cultural views where the concept of deadlines and lead times is not meaningful.
- Space: how we treat physical space is culturally determined. Office layouts and house designs are also good reflections of the division that cultures make between public and personal space.

Hodgetts and Luthans (2000) stated that there are many ways of examining cultural differences and their impact on international management. Culture can affect technology transfer, managerial attitudes, managerial ideology, and even business-government

relations. Perhaps most importantly, culture affects how people think and behave. Table 2.1 compares the most important cultural values of the United States, Japan, and Arab countries. A close look at this table shows a great deal of difference among these three cultures.

Table 2.1 : Priorities of Cultural Values: United States, Japan, and Arab countries  
(Source : Hodgetts & Luthan, 2000)

United States	Japan	Arab Countries
1. Freedom	1. Belonging	1. Family security
2. Independence	2. Group harmony	2. Family harmony
3. Self-reliance	3. Collectiveness	3. Parental guidance
4. Equality	4. Age/seniority	4. Age
5. Individualism	5. Group consensus	5. Authority
6. Competition	6. Cooperation	6. Compromise
7. Efficiency	7. Quality	7. Devotion
8. Time	8. Patience	8. Patience
9. Directness	9. Indirectness	9. Indirectness
10. Openness	10. Go-between	10. Hospitality

Some specific examples where the culture of a society can directly affect management approaches are:

- Centralized vs. decentralized decision making: In some societies, all important organizational decisions are made by top managers. In others, these decisions are diffused throughout the enterprise, and middle- and lower-level managers actively participate in, and make key decisions.
- Informal vs. formal procedures: In some societies, much is accomplished through informal means. In others, formal procedures are set forth and followed rigidly.

- Stability vs. innovation: The culture of some countries encourages stability and resistance to change. The culture of others puts high value on innovation and change.

Kammeyer (2001) stated that doing business with international clients requires more than just an understanding of the myriad of international rules and regulations. A lack of knowledge about a customer's culture can lead to misunderstanding, frustration, potential embarrassment and even loss of business. Mastering international business etiquette and understanding foreign customs is imperative for success in exporting. As Ricks (1999) writes in his book 'Blunders in International Business', "Cultural differences are the most significant and troublesome variables...the failure of managers to fully comprehend these disparities has led to most international business blunders."

- **Language**

"Language is one of the defining characteristics of culture" (Hill, 2002). According to Czinkota et. al.,(2004), Language has been described as the mirror of culture. Language itself is multidimensional by nature. This is true not only of the spoken word but also of what can be called the nonverbal language of international business. Language capability serves four distinct roles in international business, language aids information gathering and evaluation; it provides access to local society; it is increasingly important in company communication whether within the corporate family or with channel members; it provides more than the ability to communicate, it extends beyond mechanics to the interpretation of contexts that may influence business operations. Linguistic diversity often is an indicator of other types of diversity. Dealing with language invariably requires local assistance especially for translation. However major blunders can be made through improper translation.

## Technology

Technology is defined as the discipline dealing with the art or science of applying scientific knowledge to practical problems (<http://www.wordreference.com>).

From the Country Report of Thailand by Ateetanan, followings are the IT development indicators of Thailand both in overall and in specific public sector as of the end of the year 2000 or otherwise specified.

Table 2.2: Technology Development Indicators  
(Source: Pornprom, 2001)

	Ratio / Amount
PC penetration in number of PC's /population	1.9 : 100
Internet penetration in number of internet access /population	3.6 : 100
Total telephone lines available for services /population	12.3 : 100
Telephone penetration in number of users of telephone services /population	8.4 : 100
Total mobile telephone lines available for services/population	4.1 : 100
Mobile Telephones penetration in number of users of mobile telephone/population	1.0 : 100
Number of Thai Domain name registered (.th) (Dec 2000)	6,515
Number of computers under Thai domain name connected to Internet (May 2000)	71,995
Number of ISP in services, Jan 2001	18
Number of MBPS of international bandwidths (inbound), Jan 2001	316.375
Number of MBPS of international bandwidths (outbound), Jan 2001	215.437

To indicate the internet infrastructure and usage in Thailand, the following tables are presented:



Table 2.3: The number of organizations connecting to internet.

(Source: Pornprom, 2001)

Number of schools connected to Internet via SchoolNet (Jan 2001)	2,184 (5.8%)
Number of universities connected to Internet (Jun 2000)	82 (100 %)
Number of web sites of ministries connected to Internet	19 (100 %)
Number of web sites of departments connected to Internet	158 (100 %)

Table 2.4: Internet Users Survey

(Source: Pornprom, 2001)

Area	Percent
Bangkok	55.2
Suburban Areas	14.4
Central Region	10.9
Northern Region	8
Northeastern Region	5.7
Southern Region	4.7
Abroad	1.2

Table 2.5: Internet usage segmented by age

(Source: Pornprom, 2001)

Age	Percent
<10	0.7
10-19	5.6
20-29	50.3
30-39	23.2
40-49	7.6
50-59	1.3
60-69	1.1
70+	0.1

In TDRI Quarterly Review, Chantramonklasri (1994) stated that the call for investment in science and technology development is not new in Thailand. For more than 30 years, there has been a growing awareness of the need to develop science and technology. In 1956, the government established the National Research Council of Thailand (NRCT) to fund research activities in wide-ranging areas, from basic science to social science in the public sector, including universities. The Thailand Institute of Scientific and Technological Research (TISTR) was set up in 1963, originally as the Applied Scientific Research Corporation of Thailand. It was established as the main publicly-funded institute to carry out a specialized scientific and technological activity, i.e., research and development (R&D) to serve almost all production sectors of the economy. The Ministry of Science, Technology and Energy was also established. This clearly indicated the recognition of the role of science and technology in national development.

Throughout Thailand's development, there has been a strong reliance on imported technology. Despite this, few firms have managed to raise their performance levels to international standards and to carry out significant improvements to their products and production systems. A large number of firms remain technologically static even though they have been operating for many years (Chantramonklasri, 1986). In many large Thai and joint-venture firms, the innovative capabilities are still very weak (TDRI, 1992a).

One of the findings from 'Arms Procurement Decision Making' by Singh, (1999), suggested that with the lack of competitive engineering industries, Thailand has less capacity to manage and integrate technologies developed in the defense and civilian sectors.

## 2.2 Discussion of the Dependent Variable

### Export Barrier

Export is the sale of products produced in one country to residents of another country. Many manufacturing firms begin their global expansion as exporters and only later switch to another mode for serving a foreign market. Advantages for exporting are that it avoids often-substantial cost of establishing manufacturing operations in the host country; and by manufacturing the product in a centralized location and exporting it to other national markets, the firm may realize substantial scale economies from its global sales volume.

There are a number of drawbacks of exporting, one of which includes the tariff barrier that can make exporting uneconomical and the threat of tariff barrier by the host-country government can make it very risky (Hill, 2002). Like tariff barriers, there are also other non-tariff barriers that can serve as a drawback or affect export.

As defined by Suarez-Ortega (2003), Export barriers as all those factors, external or internal, that serve to dissuade a firm from exporting or which hinder its actual export activity.

Ramaswami and Yang (1990) point out that there are four sources of export barriers that affect firms' export performance: export knowledge, internal resource constraints, procedural barriers and exogenous variables.

Export knowledge barrier refers to lack of knowledge about aspects related to export activity.

Internal resource constraints refer to the need for a firm to possess a series of resources in order for it to be able to initiate export activity. Bauerschmidt, Sullivan and

Gillespie, (1985) stated lack of production capacity as one of the internal resource constraints.

Yang (1988) stated that Procedural barriers are obstacles pertaining to the activity itself and which could have their origins either in the firm's domestic market or in the foreign market. According to Rammaswami and Yang (1990), procedural barriers can be subdivided into two types; (a) controllable, those which can be easily solved given the right experience such as documentation; and (b) not controllable, requiring case by case decisions, independent of the routine which has been acquired through experience such as Non-tariff barriers. Among many Barker and Kaynak (1992) stated transportation and distribution difficulties in foreign market as a kind of procedural barrier.

According to Yang (1988), Exogenous barriers have their origins in the uncertainty of international markets, largely due to the activities of other players in the market - such as competitors, foreign government, supply and demand, meaning that this type of variable transcend the control of the exporting company (Suarez-Ortega, 2003).

### 2.3 Previous Studies

Rojmeta, Saharoj (1986) studied "The constraints to export trade to Thailand: A Study of selected California manufacturing firms" His intention was to determine the nature and extent of the constraints to export trade to Thailand as reported by senior level management personnel in selected small and medium size exporting and non-exporting firms located in the State of California. A research was conducted by using a descriptive-elemental research approach. This approach was designated for the current study since the general nature of constraints to foreign export trade for small and mid-sized firms were known. Participants were conducted in a senior level management position for at least two years in a small or medium size firm in the State of California. The research design specified for the study required that the participating firms be engaged in one of three types of manufacturing industries: fabricated metal product; machinery, except

electrical; and electric and electronic equipment. The criteria established for the data source also stipulated that the selected exporting firms must have a reported annual export sales volume of at least \$1 million. The questionnaires administered to the survey participants included six major sections. The critical section included twenty-three possible constraints to export trade with Thailand and export objectives and influencing factors provided for a differentiation between the responses provided by survey participants employed by exporting and non-exporting firms. Results indicated that the negative influence on such trade was the difficulties encountered in: determining Thai market opportunities, assuring an adequate profit margin, the size of Thai market, and securing an appropriate level of credit to finance trade with Thailand. The concern expressed by the representative of non-exporting firms were similar with regard to the negative influence on export trade relations with Thailand of problems associated with determining Thai marketing opportunities, the size of the Thai market, and profit margin. It also pointed to the constraints to export resulting from difficulties in obtaining representation in and assuring service for the Thai market.

Wongaroon, Somchai (1986) studied "Constraints to export trade to the United States: A Study of selected Thai businesses". The study was to determine the nature and extent of the constraints to export trade to the United States as reported by senior level management personnel in selected small and medium size exporting and non-exporting firms located in Metropolitan Bangkok, Thailand. The research was conducted by using a descriptive-elemental research approach that was specified for the study using observation based data obtained from the data source. Participants were conducted in a senior level management position for at least two years in a small or medium size firm in the Metropolitan Bangkok. The research design specified for the study required that the participating firms be engaged in one of the two types of industries: manufactured goods or textiles. The selected exporting firms must have a reported annual export sales volume of at least \$1 million. The structured questionnaires and semi-structured interview instrument were used with each selected senior management level participant. Results imply the need for increased efforts by Thai government as well as by Thai business and industry directed toward implementing substantive changes in the current procedures



employed for the export of Thai products to the US. Specifically implied was necessity for modifications to the existing bureaucratic requirements for export, quota system, quality control system, and the way in which raw materials requisites to the production of goods for export are distributed and taxed.

Suarez-Ortega (2003) researched on "Export Barriers: Insights from Small and Medium-sized Firms". The objective was to identify the factors that impede firm's international expansion. The data was collected from a total of 286 exporting and non-exporting small and medium-sized firms in the Spanish wine industry. The study determined whether the degree of perceived importance of the four different source of export barriers - export knowledge, internal resource constraints, procedural barriers and exogenous variables, within a firm had negative association with its level of export development. Accordingly the four hypotheses were set and tested in this research. In measuring the export barrier, questionnaires were used that asked the respondents to indicate, through five-point likert scale what extent he/she considered that various different export barriers acted as obstacles to the initiation or expansion of his/her firm's export activity. For measuring firm's export development level, a qualitative and subjective measure was developed, which first asked the general managers to chose among five possible states which best described the situation of their company with respect to export activity; then asked them to indicate their firm's export intensity. To analyze the relationship between the perceived export barriers and the export development process, one-way ANOVA was used. The results indicated that regardless of the type of barrier under consideration, the more difficult and complex export activity is perceived to be, the lower will be a firm's level of export involvement. The result also suggested that the relative importance of each type of barrier would vary with the firm's level of export development.

Templin, Carl, Heberling and Michael (1994), studied the 'Commercial buying practices in the Department of Defense: Barrier and benefits. Their research comprises the results of 3 research initiatives to identify obstacles that commercial firms in the

electronics, space launch, and aircraft industries face in doing business with the Defense Department. For the electronics industry and aircraft industries, telephone interview was applied as the method in gathering the information. For the research of space launch industry, survey by questionnaire was applied as a method in collecting the data. Responses were made using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). The analysis supports previous research findings that some obstacles, such as payment and specification problems, appear to be universal problems for firms dealing with government customers.

Okoroafo, Samuel Chigoziri (1986) conducted research on "An empirical analysis of the effect of political risk on the mode of operations in foreign market". The researcher examined the role of political risk (compared to market size and market growth rate) and its impact on the mode of operations (such as exporting, licensing, joint ventures and investing) decisions of US manufacturing firms. The research used both secondary and primary data. Cross-sectional (20 countries) and time-series (11 years) data was pooled in order to test hypothesized effects of political risk on the substitution of exporting for investing behavior of US manufacturing firms. Personal interviews were also conducted with executives of Michigan firms with foreign operations from five industries: chemicals, computers, aircraft, agricultural, motor vehicles and transportation equipment industries. The finding showed that no relationship or a slightly negative relationship tends to exist between the exporting and political risk. The relationship is the same for less developed as well as developed countries. In the developed countries market size is the most significant explanatory variable for exporting and foreign direct investment behavior of US manufacturing firms when compared to political risk and market growth rate.

## **CHAPTER III**

### **RESEARCH FRAMEWORK**

The purpose of this chapter is to provide an overview of the research framework of this study. This chapter consists of four parts, which include Theoretical framework, Conceptual framework, Research Hypotheses and Operationalization of the Independent and Dependent Variables.

#### **3.1 Theoretical Framework**

After reviewing many literatures, it is found that there is no exact theoretical framework to represent or explain the integration of all variables since certain barriers to export of government controlled products such as defense products to Thailand are very different from those to export of other products and to other countries. The concepts of several authors and more importantly the findings from pilot study had, therefore, been applied to come up with the conceptual framework, shown in section 3.2.

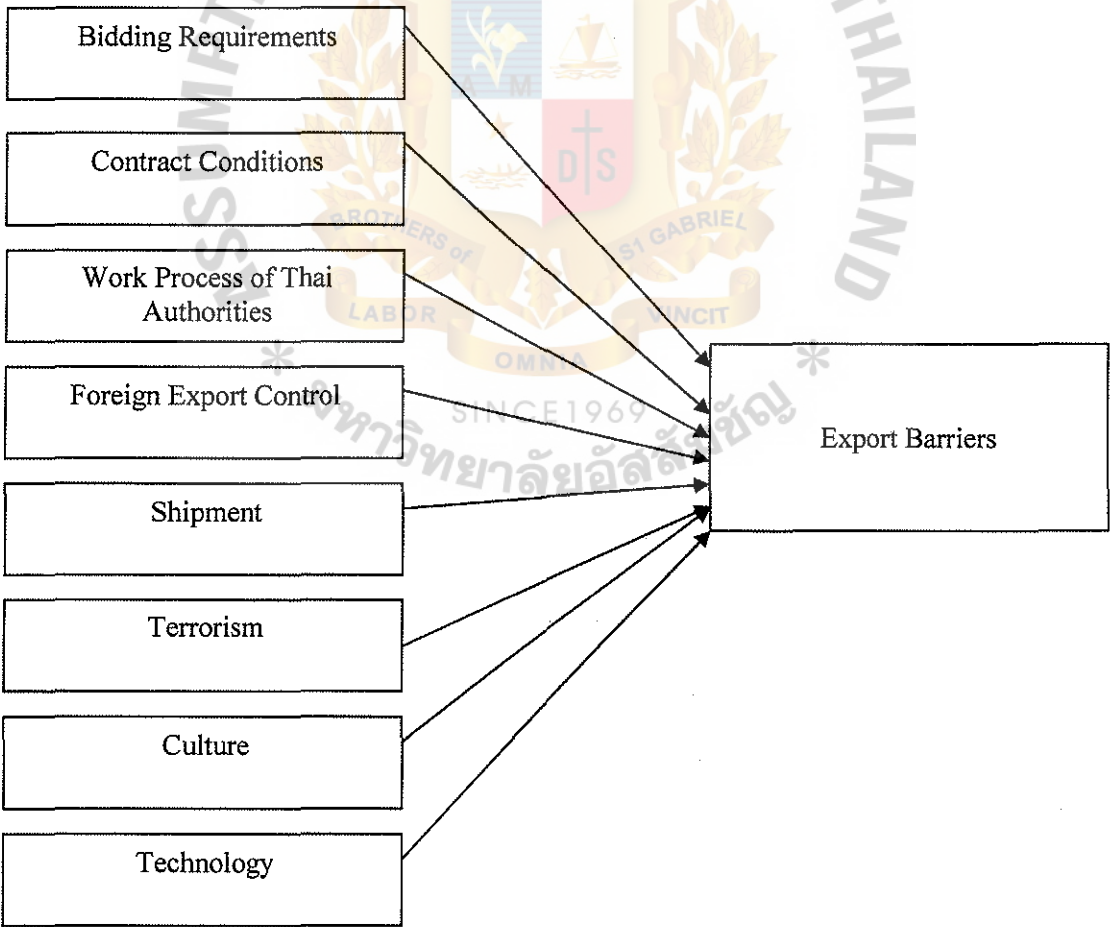
This study was partially adopted from the research conducted by Rojmeta (1986), to determine the nature and extent of the constraints to export trade to Thailand as reported by senior level management personnel in selected small and medium size exporting and non-exporting firms located in the State of California.

General barriers to international business or international trade have been studied and stated by many authors, including Butler and Randlesome (1992) who researched on National Culture and International Business, provided information on cultural difference and the impact of culture on international business. Hodgetts and Luthans (2000) stated that cultural diversity is a major challenge in doing business internationally and provided research on the cultural values of different countries.

Export controls regulations of each country for the export of certain products is a kind of export barrier as mentioned by Czinkota et. al., (2004). Many articles have also been published regarding the impact of threat of terrorism on several industries including article by Berrebi & Klor (2005) on “The impact of terrorism across industries: an empirical study” whose finding suggested that terrorism has a significant negative impact on non-defense related companies, but not completely a negative one on defense and security related companies, considering the increase in demand and consequently sales of such products, due to threat of terrorism.

3.2 Conceptual Framework

Figure 3.1 Conceptual Framework of hypothesis testing model



From figure 3.1, the conceptual framework has two parts, which include independent and dependent variables. The independent variables consist of factors that cause problems and affect export of firearms and ammunition to the Thai military and Police force. The study determines whether these factors are export barriers to suppliers. The dependent variable is therefore export barrier.

### **Explanation of Variables**

**Bidding Requirements** – The documentation and certification required for submission of bid in participating in Government procurement tender.

**Contract Conditions** – Conditions specified in sales contract with Government Authorities, such as delivery period, penalty charge and shipment term.

**Work Process of Thai Authorities** – The bureaucratic organization and work flow of Thai Government and Military Authorities.

**Foreign Export Control** - Export controls are controls designed to deny or at least delay the acquisition of strategically important goods by adversaries (Czinkota et. al., 2004).

**Shipment** - Conditions for shipment of government procured and hazardous goods under the Thai Maritime Law and International Air Transportation Association (IATA).

**Terrorism** – The impact of threat of terrorism on global defense spending, export control, logistics and transportation.

**Culture** – Cultural and language diversity as obstacles to international trade.

**Technology** – level of technology development and adaptation in Thailand.



**Export Barrier** - Export barriers as all those factors, external or internal, that serve to dissuade a firm from exporting or which hinder its actual export activity (Suarez-Ortega, 2003)

### 3.3 Research Hypothesis

H1<sub>o</sub>: There is no relationship between bidding requirements and export barriers

H1<sub>a</sub>: There is a relationship between bidding requirements and export barriers

H2<sub>o</sub>: There is no relationship between contract conditions and export barriers

H2<sub>a</sub>: There is a relationship between contract conditions and export barriers

H3<sub>o</sub>: There is no relationship between work process of Thai authorities and export barriers

H3<sub>a</sub>: There is a relationship between work process of Thai authorities and export barriers

H4<sub>o</sub>: There is no relationship between foreign export control and export barriers

H4<sub>a</sub>: There is a relationship between foreign export control and export barriers

H5<sub>o</sub>: There is no relationship between shipment and export barriers

H5<sub>a</sub>: There is a relationship between shipment and export barriers

H6<sub>o</sub>: There is no relationship between terrorism and export barriers

H6<sub>a</sub>: There is a relationship between terrorism and export barriers

H7<sub>o</sub>: There is no relationship between culture and export barriers

H7<sub>a</sub>: There is a relationship between culture and export barriers

H8<sub>o</sub>: There is no relationship between technology and export barriers

H8<sub>a</sub>: There is a relationship between technology and export barriers

### 3.4 Operationalization of the Independent and Dependent Variables

Table 3.1: Table of Operationalization of the Independent and Dependent Variables

Concept	Conceptual Definition	Operational Component	Level of Measurement
Bidding Requirements	Documents and certifications required for submission of bid	<ul style="list-style-type: none"> <li>- Preparation of bidding documents and certifications</li> <li>- Availability of Thai Embassy or Thai Consulate in Domestic country for certifications</li> </ul>	Ordinal Scale
Contract Conditions	Conditions on delivery and penalty charge as mentioned in contract	<ul style="list-style-type: none"> <li>- Rigid policy for delivery term</li> <li>- Rigid policy for penalty charges</li> </ul>	Ordinal Scale
Work process of Thai authorities	The way Thai government works	<ul style="list-style-type: none"> <li>- Frequent re-shuffling of authorities or key personnel</li> <li>- Slow processing of required documents (E.g. End-User Certificate) by Thai authorities</li> <li>- Delay due to Bureaucracy</li> </ul>	Ordinal Scale
Foreign Export Control	Export control of firearms and ammunitions of each country including the requirement of export license	<ul style="list-style-type: none"> <li>- Problem in approval of export license</li> <li>- Delay in approval of export license</li> </ul>	Ordinal Scale

Concept	Conceptual Definition	Operational Component	Level of Measurement
Shipment	Shipment of firearms and ammunitions (hazardous goods) by air or sea	<ul style="list-style-type: none"> <li>- Difficulty in finding Thai-flagged vessel for shipment by sea</li> <li>- Very high cost for shipment by Thai-flagged vessels</li> <li>- Difficulty in finding shipment vessel for hazardous goods</li> </ul>	Ordinal Scale
Terrorism	Impact of the threat of terrorism	<ul style="list-style-type: none"> <li>- Stricter export control for defense products</li> <li>- Stricter transport control for defense products</li> </ul>	Ordinal Scale
Culture	The language, religion, values and attitudes, manners and customs exhibited by each country	<ul style="list-style-type: none"> <li>- Existence of Cultural differences</li> <li>- Cultural differences delay work flow</li> <li>- Existence of Language/Communication barriers</li> </ul>	Ordinal Scale
Technology	Technology infrastructure and level of technology advancement	<ul style="list-style-type: none"> <li>- Lack of procurement information provided on the internet</li> <li>- Difficulty in proposing new technological products</li> </ul>	Ordinal Scale
Export Barriers	Factors that serve as constraint in exporting or obstructs the export activity.	<ul style="list-style-type: none"> <li>- Existence of export barrier</li> <li>- Time period of existence of export barrier</li> <li>- Barriers affect on future export decision</li> </ul>	Ordinal Scale

## Chapter IV

### RESEARCH METHODOLOGY

#### 4.1 Research Method Used

This research uses the descriptive research study that is designed to describe characteristics of a population or a phenomenon. To accomplish the research objectives, census survey was used. Census survey is an investigation of all the individual elements making up a population (Zikmund, 2003).

#### 4.2 Research Population

The target population in this research is focused on export managers or other management level personnel dealing with export to Thai market, of organization around the world that manufacture and/or supply firearms and ammunitions and of which GHI is their representative in Thailand. The total population as well as the target respondents for this research is 41 manufacturers or suppliers.

The size of the research population is very small when compared to that of the whole defense industry. The reason behind this is that there are not many companies that export firearms and ammunitions to Thailand, and those who have their own representatives in Thailand, which include many companies not just G.H. international. The research population however cannot include the companies that GHI is not representing for the Thai market because firstly it would be difficult to contact the companies and concerned individuals who deal with the Thai market, and even if contact can be made, the companies will be unwilling to provide any information or co-operation with their indirect competitors for security reasons. Another reason for the limited

population is due to merger and acquisitions of many defense companies, which caused the number of foreign suppliers of firearms and ammunitions to be reduced.

#### **4.3 Research Instruments/Questionnaires**

The instrument used in this research to collect data is self-administered questionnaires (as per enclosed in Appendix E), which is a questionnaire that is filled in by the respondents rather than by an interviewer (Zikmund, 2003). The questionnaire consists of 25 questions, which are grouped into three parts that are general information; identification of export barriers; suggestions and recommendations. The questionnaires were prepared in English language only, since all the respondents are based in different countries. The questions were modified from pilot study that was carried out in the primary stage of the research and from previous study by Rojmeta (1986).

For part I and part II, closed-ended questions were used, where the respondents were given specific limited alternative responses and asked to choose the one answer (Zikmund, 2003). Closed-ended questions take less time and are easier for the respondents to answer. When the data were received and collected, it was also easy for coding, tabulating, and ultimately, interpreting.

Part I was intended to explore the company information of the respondents. In this section, respondents chose among the provided choices regarding the type of products that their company manufactures and/or supply and the country that their company is located.

In part II, the respondents were required to give their opinion on the different statement explaining the problems in exporting of firearms and/or ammunitions to the Thai military and police force, based on their experience with the Thai market. In this part, 22 questions were grouped into eight different variables. These questions were adopted from the findings of pilot study. Respondents made their responses on a five-



point Likert Type scale, which is a measure of attitudes designed to allow respondents to indicate how strongly they agree or disagree with carefully constructed statements that range from very positive to very negative toward an attitudinal object (Zikmund, 2003). In this type of measurement, the respondents were asked to check one response for each statement from the scale, which ranged from Strongly Disagree to Strongly Agree.

In part III, the respondents were asked an open-ended question, which is a question that poses some problem and asks the respondent to answer in his or her words (Zikmund, 2003). This question requested respondents to make suggestion and recommendation of ways that can be adopted by their local distributor or the end-users that can help reduce or eliminate the factors serving as export barrier(s). These suggestions were useful for aid in the conclusion and recommendation of this research.

#### **4.4 Collection of Data/Gathering Procedures**

Two types of data, primary and secondary data were used in this research. The primary data were collected from the self-administered questionnaires that had been sent to 41 targeted respondents by email or fax, as these respondents are based in different parts of the world, which required follow-up by telephone calls in order to personally request for their co-operation and to answer to any inquiries they may have had.

Secondary data on related and complementing issues and concepts for this study were collected from different sources including textbooks, journals, articles, published laws and regulations of different countries, and the internet.

In addition, an important source of data that was also extensively used in this research was the finding from the pilot study that was initially conducted.

## **4.5 Statistical Treatment of Data**

Once the questionnaires were collected, the data was encoded and the Statistic Package for Social Science Software (SPSS program) was utilized to summarize and analyze the data. The analysis was separated into two sections, Descriptive analysis and Inferential analysis or hypothesis testing.

### **4.5.1 Descriptive Statistics**

Descriptive Statistics was used to describe or summarized information about the respondents, including the description of responses or observations form of analysis. The calculation of averages, frequency distributions and percentage distributions is the most common form of summarizing data (Zikmund, 2003).

### **4.5.2 Inferential Statistic / Hypothesis Testing**

These tests were based on Bivariate data analysis, which is data analysis and hypothesis testing when the investigation concerns simultaneous investigation of two variables using tests of differences or measures of association between two variables at a time.

It is appropriate to use the nonparametric statistics as the statistical procedures used are ordinal-scaled data and make no assumptions about the distribution of the population. The term ordinal data include both ranks and assignments to ordered categories. The Spearman rank-order correlation coefficient (Nonparametric measures of association) was used to test the relationships between independent variables and the dependent variable. (Zikmund, 2003).

When asymmetric correlations are used, there is a presumed independent variable (iv) and a presumed dependent variable (dv). The notation is such that if  $K$  = the coefficient, then  $K_{DV/IV}$  reveals the assumed direction of the called Rho ( $\rho$ ), is calculated as below:

$$r_s = 1 - \frac{6 \sum_{i=1}^n d_i^2}{n(n^2 - 1)}$$

Source: Churchill(1983)

Where,

$r_s$  = Spearman's rho

$d_i$  = Difference between ranks for each pair of observations,

$\sum d_i^2$  = Total Squared Differences of observations,

$N$  = The number of pairs of ranks.

Spearman's Rho uses the ranks of data to calculate correlation coefficients. Spearman's Rho is a rank-order correlation coefficient, which measures association at the ordinal level. This is a nonparametric version of Pearson correlation based on the ranks of data rather than the actual values.

The signs of the correlation coefficient indicate the direction of the relationship positive or negative. The absolute value of the correlation coefficient indicates the strength, with larger absolute values indicating stronger relationships. The correlation coefficients on the main diagonal are always 1.0, because each variable has a perfect negative linear relationship with itself. If the significance level is very small (0.05) then the correlation is significant and the two variables are linearly related. If the significant level is relatively large (0.5) then the correlation is no significant and then two variables are not linearly related (Gay and Diehl, 1992).

The correlation coefficient generally ranges from -1.00 to +1.00. If the value is 1.0, there is perfect linear (straight-line) relationship. If the value is -1.0, a perfect negative linear relationship or a perfect inverse relationship is indicated. No correlation is indicated if the correlation coefficient value is 0 (Zikmund, 2003). Salkind (2000) identified the degree of relationship between variables as follows:

Correlation between	Are said to be
0.81 and 1.00	Very Strong
0.61 and 0.80	Strong
0.40 and 0.60	Moderate
0.21 and 0.40	Weak
0.00 and 0.20	Very Weak

#### Summary of Statistical Treatment of Data

Table 4.1: Summary of Statistical of Data

Hypothesis	Description	Statistical Treatment
Hypothesis 1	H <sub>1</sub> : There is no relationship between bidding requirements and export barriers	Spearman rank order correlation coefficient
Hypothesis 2	H <sub>2</sub> : There is no relationship between contract conditions and export barriers	Spearman rank order correlation coefficient

Hypothesis	Description	Statistical Treatment
Hypothesis 3	H3: There is no relationship between work process of Thai authorities and export barriers	Spearman rank order correlation coefficient
Hypothesis 4	H4: There is no relationship between foreign export control and export barriers	Spearman rank order correlation coefficient
Hypothesis 5	H5: There is no relationship between shipment and export barriers	Spearman rank order correlation coefficient
Hypothesis 6	H6: There is no relationship between terrorism and export barrier	Spearman rank order correlation coefficient
Hypothesis 7	H7: There is no relationship between culture and export barriers	Spearman rank order correlation coefficient
Hypothesis 8	H8: There is no relationship between technology and export barriers	Spearman rank order correlation coefficient



#### 4.6 Pre-testing

In order to measure the reliability of the questionnaire, reliability analysis was performed in September, 2005 to test groups of consistency questions. The Reliability Analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. Reliability is the degree to which measures are free from error and therefore yield consistent results (Zikmund, 2003).

The questions that were ambiguous, misunderstanding, and inappropriate have been adjusted, 10 copies of questionnaires were distributed to the research target through email and fax in order to find out the reliability of the instrument. Since the total population is only 41 suppliers, the pre-testing was carried out only with one forth of the total population. It was decided to send the questionnaires for pre-testing to the 10 suppliers by convenient sampling, which refers to sampling by obtaining units or people who are most conveniently available (Zikmund, 2003).i.e. questionnaires were sent to suppliers that G.H. has frequent and close contact with as they were able to give immediate or faster response, facilitating in the limited time that was available.

After gathering the data from the respondents, the data were coded and processed with SPSS program. The model that was used for testing reliability is Alpha (Cronbach). This is a model of internal consistency, based on the average inter-item correlation. The results of reliability were shown as follows:

Table 4.2: Reliability Analysis-Scale (Cronbach’s Coefficient Alpha)

Operational Dimensions	Reliability ( $\alpha$ )
Bidding Requirements	0.7943
Contract Conditions	0.8842
Work Process of Thai Authorities	0.7470
Foreign Export Control	0.8475
Shipment	0.7000
Terrorism	0.8282
Culture	0.6202
Technology	0.7353
Export Barriers	0.8563
Total Reliability	0.8517

4.7 Pilot Study

With complaints from many international suppliers regarding the rigid Thai procurement and contract regulations, and other problems that most of the time become an obstacle for suppliers in trading and exporting defense products and equipments to the Thai military. Pilot study was therefore carried out in order to find out the primary problems which affect the export of the defense products to Thailand.

Pilot study is a small-scale exploratory research technique that uses sampling but does not apply rigorous standards. Pilot studies collect data from the ultimate subjects of the research project to serve as a guide for the larger study (Zikmund, 2003). The purpose of carrying out pilot study in this research was to identify and understand the barriers for exporting defense products and equipments to the Thai military from major suppliers of G.H. International Co., Ltd which would serve as a guide for this research and also to help in narrowing the scope of the research.

The pilot study was conducted between March 2005 and May 2005 through email, one-to-one interview and telephone interview with the suppliers of GHI. These respondents were selected by convenience sampling. Emails were sent to 30 companies of which only 17 replied within the 3 month time frame and based on convenience of suppliers, one-to-one interviews were conducted with 1 company and telephone interviews were conducted with 3 companies. The total number of respondents from both email and interview were 21, out of which, 11 were from the United States, 5 from the United Kingdom, 1 from Belgium, Germany, Israel, Czech Republic and Yugoslavia.

The initial objective of the research and questions that were asked in email and interview were as follows:

1. What are the trade constraints/barriers that you face when dealing with The Thai Military?
2. The differences, if any, when dealing with Thai Military compared to Malaysian and Singaporean Militaries?
3. Your recommendations in order to improve the flow of trade when exporting defense products to Thailand.

After gathering data of all respondents, the variables were taken from the replies of each supplier and were summarized in a table format where each export barriers that the suppliers face have been included (as per Appendix F). The problems summarized in the result of this study will serve as variables for the research.

From Appendix F, it was clearly shown that the main barriers in exporting defense products and equipments to the Thai military, as mentioned by most suppliers are delivery term, shipment term, penalty charge, and bidding documentation.

The pilot study was then integrated into group of product categories, such as firearms and ammunitions, security equipments, pyrotechnics, and other military equipments. This integration was to determine and understand the similarities and

differences of the barriers among each product type and also to identify the product category with the most and major barriers. The result showed that suppliers of firearms and ammunitions had most barriers. This type of products is classified as hazardous or dangerous goods and is under the export control of their governments. Therefore, the scope of this research was narrowed down from finding out the barriers of exporting defense products and equipments to focusing on only firearms and ammunitions. Another reason that this product category was chosen was because firearms and ammunitions has always been the major supplies by GHI to the end-users.

The product category of firearms includes all kinds of hand guns (pistol and revolver), Shotguns and Rifles, while under ammunitions, there are many products including small caliber ammunitions, medium caliber ammunitions, large caliber ammunitions and all their components such as Ball Powder, Brass Case, Primers and Fuses.

In this pilot study, question was also asked regarding the differences in problems faced between exporting to Thailand and to the neighboring countries such as Singapore and Malaysia. However, no clear differences were stated in the responses and with limited time, complete information may not be collected regarding the different laws of neighboring countries. Therefore, this research will not focus on this comparison.

## CHAPTER V

### PRESENTATION OF DATA AND CRITICAL DISCUSSION OF RESULTS

This chapter focuses on the data analysis and presents the research finding which will answer the research questions and research hypothesis, in order to find out the correlated factors to export barriers in exporting firearms and ammunition to the Thai military and police force. The primary data from 41 questionnaires collected are analyzed using the SPSS program. The analysis, results and interpretation are presented in two sections. Section one depicts the descriptive statistics according to profile and feedback of respondents. Section two, inferential statistics includes hypothesis testing to measure the association between independent variables and dependent variable, and explanation of hypothesis results.

#### 5.1 Descriptive Statistics

Descriptive statistic is methods including the collection, presentation, and characterization of a set of data in order to describe properly the various features of that set of data (Berenson and Levine, 1996). Similarly, descriptive analysis refers to the transformation of raw data into a form that makes it easy to understand and interpret (Zikmund, 2003). For the purpose of analyzing the data, this section includes:

- Frequency distribution of respondents' company information (i.e. product offered and country).
- Frequency distribution of responses to each question corresponding to each independent and dependent variable.
- Cross tabulation among certain variables for clearer understanding
- Analysis of Open-ended question



Frequency Distribution

Frequency distribution or frequency table is a set on data organized by summarizing the number of times a particular value of a variable occurs (Zikmund, 2003)

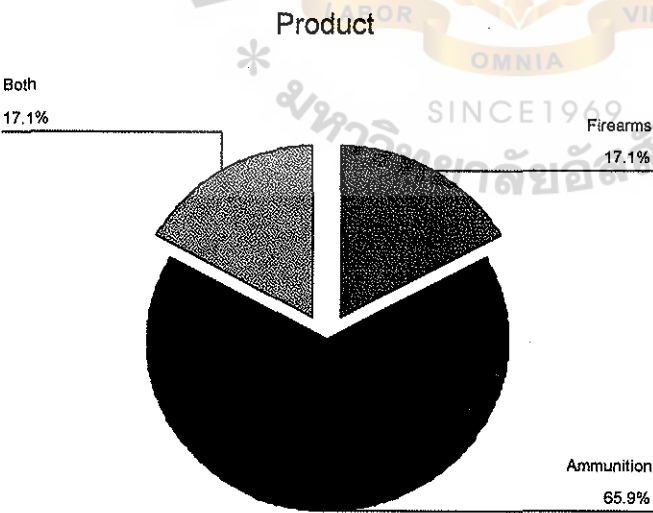
5.1.1 Frequency Distribution of Respondents’ Company Information

- Frequency distribution of Product Type

Table 5.1: Product Type

		Product			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Firearms	7	17.1	17.1	17.1
	Ammunition	27	65.9	65.9	82.9
	Both	7	17.1	17.1	100.0
	Total	41	100.0	100.0	

Figure 5.1: Chart illustrating Product Type



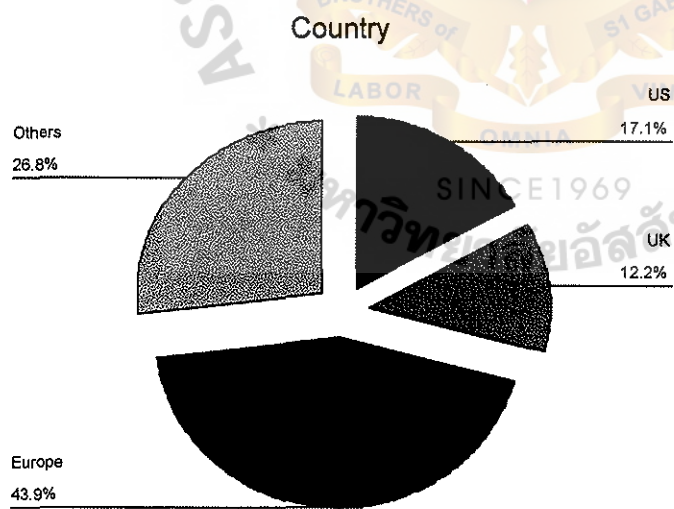
From Table 5.1 and Figure 5.1, the majority of the products that the respondents supply or manufacture is ammunitions, which consists 65.9% or 27 companies from the total of 41. The rest is shared equally between firearms and both firearms and ammunitions, which includes 17.1 % or 7 companies each.

- Frequency distribution of Country of Origin**

Table 5.2: Country of Origin

		Country			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	US	7	17.1	17.1	17.1
	UK	5	12.2	12.2	29.3
	Europe	18	43.9	43.9	73.2
	Others	11	26.8	26.8	100.0
	Total	41	100.0	100.0	

Figure 5.2: Chart illustrating Country of Origin



From Table 5.2 and Figure 5.2, 43.9% of the respondents are based in Europe, which is the highest. Other countries, including Asia, Australia, South America and South Africa hold for 26.8% of the total. Respondents from the United States are 17.1%, while respondents from the United Kingdom are the least with only 12.2%.

### 5.1.2 Frequency Distribution of Independent Variables

- Frequency distribution of responses to Bidding Requirements

Table 5.3: Frequency Distribution of response to 'Preparing and certifying documents required for bid submission is time consuming'

		Bidding1			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	2	4.9	4.9	4.9
	Agree	28	68.3	68.3	73.2
	Strongly Agree	11	26.8	26.8	100.0
	Total	41	100.0	100.0	

Table 5.3 exhibits that majority of the respondents agree and strongly agree with the issue that preparing and certifying documents required for bid submission is time consuming, according to the percentage accounted for as 68.3% and 26.8% respectively. While only 4.9% of the respondents neither disagree nor agree.

Table 5.4: Frequency Distribution of responses to ‘Certifying documents by Thai Embassy or Thai Consulate is costly and time consuming due to unavailability of these organizations in your city/state/country’.

Bidding2					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	10	24.4	24.4	24.4
	Agree	19	46.3	46.3	70.7
	Strongly Agree	12	29.3	29.3	100.0
	Total	41	100.0	100.0	

Table 5.4 reveals that most of the respondents agree and strongly agree with the fact that certifying documents by Thai Embassy or Thai Consulate is costly and time consuming, which is stated by the highest percentage of 46.3% and 29.3% respectively. The rest of the respondents accounting for 24.4% neither disagree nor agree.

- **Frequency Distribution of Responses to Contract Conditions**

Table 5.5: Frequency Distribution of responses to ‘It is difficult to meet delivery period per contract condition’.

Contract1					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	14	34.1	34.1	34.1
	Agree	19	46.3	46.3	80.5
	Strongly Agree	8	19.5	19.5	100.0
	Total	41	100.0	100.0	

Table 5.5 illustrates that most of the respondents agree that it is difficult to meet delivery period per contract condition, which represents the highest percentage of 46.3%, 19.5% strongly agree, while 34.1%of respondents neither disagree nor agree.

Table 5.6: Frequency Distribution of responses to 'There is a rigid policy regarding the penalty charges for late delivery'.

		Contract2			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	7	17.1	17.1	17.1
	Agree	23	56.1	56.1	73.2
	Strongly Agree	11	26.8	26.8	100.0
	Total	41	100.0	100.0	

Table 5.6 depicts that most of the respondents agree and strongly agree that there is a rigid policy regarding penalty charges for late delivery, which is stated by the highest percentages 56.1% and 26.8% respectively. The rest of the respondents accounting for 17.1% neither disagree nor agree.

- **Frequency Distribution of Responses to Work Process of Thai authorities**

Table 5.7: Frequency Distribution of responses to 'Frequent rotation of key personnel creates a problem in proposing new products'.

		Work Process1			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	9.8	9.8	9.8
	Neither disagree nor agree	19	46.3	46.3	56.1
	Agree	16	39.0	39.0	95.1
	Strongly Agree	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

Table 5.7 shows that most of the respondents neither disagree nor agree that frequent rotation of key personnel creates a problem in proposing new products, which is stated by the highest percentage of 46.3%, while 39.0% and 4.9% of respondents agree and strongly agree respectively. There are few number of respondents, 9.8% that disagree with the statement.



Table 5.8: Frequency Distribution of responses to ‘Thai authorities are slow in processing required documents such as End-User Certificate.’

Work Process2		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	14.6	14.6	14.6
	Neither disagree nor agree	23	56.1	56.1	70.7
	Agree	12	29.3	29.3	100.0
	Total	41	100.0	100.0	

Table 5.8 indicates that 56.1% of the total respondents neither disagree nor agree that the Thai authorities are slow in processing required documents such as End-User Certificate; 29.3% agree with the statement; and only 14.6% of the respondents disagree.

Table 5.9: Frequency Distribution of responses to ‘The bureaucratic nature of Thai authorities delay the procurement process.’

Work Process3		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	2.4	2.4	2.4
	Neither disagree nor agree	17	41.5	41.5	43.9
	Agree	17	41.5	41.5	85.4
	Strongly Agree	6	14.6	14.6	100.0
	Total	41	100.0	100.0	

Table 5.9 shows that only 2.4% disagree that the bureaucratic nature of Thai authorities delay the procurement process, whereas 41.5% neither disagree nor agree and the same percentage agree. There are 14.6% that strongly agree with the statement.

- **Frequency Distribution of Responses to Foreign Export Control**

Table 5.10: Frequency Distribution of responses to ‘There is problem in approval of export licenses for export to Thailand.’

		Export Control1			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	16	39.0	39.0	39.0
	Neither disagree nor agree	7	17.1	17.1	56.1
	Agree	10	24.4	24.4	80.5
	Strongly Agree	8	19.5	19.5	100.0
	Total	41	100.0	100.0	

Table 5.10 illustrates that 39.0% of the respondents disagree that there is problem in approval of export licenses for export to Thailand, while 17.1% neither disagree nor agree. There are a large group of respondents that agree and strongly agree with the statement, which show the percentages of 24.4% and 19.5% respectively.

Table 5.11: Frequency Distribution of responses to ‘Approval of export license for export to Thailand takes long time.’

		Export Control2			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	15	36.6	36.6	36.6
	Neither disagree nor agree	9	22.0	22.0	58.5
	Agree	14	34.1	34.1	92.7
	Strongly Agree	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

Table 5.11 indicates that 36.6% of the respondents disagree that approval of export license for export to Thailand takes long time. A large number of respondents mentioned that they agree and strongly agree with the statement with the percentages of 34.1% and 7.3% respectively, while 22.0% neither disagree nor agree.

- **Frequency Distribution of Responses to Shipment**

Table 5.12: Frequency Distribution of responses to 'There is difficulty in finding Thai Flagged Vessel for shipment by sea.'

Shipment1		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	2	4.9	4.9	4.9
	Agree	24	58.5	58.5	63.4
	Strongly Agree	15	36.6	36.6	100.0
	Total	41	100.0	100.0	

In table 5.12, the result shows a large number of respondents that is 58.5% and 36.6%, which agree and strongly agree, respectively, that there is difficulty in finding Thai Flagged Vessel for shipment by sea. There are only 4.9% neither disagree nor agree with the statement.

Table 5.13: Frequency Distribution of responses to 'Shipment by Thai-flagged vessel is very expensive.'

Shipment2		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	1	2.4	2.4	2.4
	Agree	23	56.1	56.1	58.5
	Strongly Agree	17	41.5	41.5	100.0
	Total	41	100.0	100.0	

Table 5.13 shows that 97.6% of the respondents totally agree and strongly agree that shipment by Thai-flagged vessel is very expensive, while only 2.4% neither disagree nor agree.

Table 5.14: Frequency Distribution of responses to ‘There is difficulty in finding means for transportation of hazardous goods.’

Shipment3		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	7	17.1	17.1	17.1
	Agree	20	48.8	48.8	65.9
	Strongly Agree	14	34.1	34.1	100.0
	Total	41	100.0	100.0	

Table 5.14 indicates that 82.9% of the respondents agree and strongly agree that there is difficulty in finding means for transportation of hazardous goods, while there are 17.1% who are neutral.

- **Frequency Distribution of Responses to Terrorism**

Table 5.15: Frequency Distribution of responses to ‘Due to the threat of terrorism there are stricter export control regulations.’

Terrorism1		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	4.9	4.9	4.9
	Neither disagree nor agree	12	29.3	29.3	34.1
	Agree	12	29.3	29.3	63.4
	Strongly Agree	15	36.6	36.6	100.0
	Total	41	100.0	100.0	

Table 5.15 shows that 36.6% and 29.3% of the respondents strongly agree and agree respectively, that due to the threat of terrorism there are stricter export control regulations, while 29.3% neither disagree nor agree, but there are 4.9% that disagree with the statement.

Table 5.16: Frequency Distribution of responses to ‘There is recently more difficulty in finding means for transportation of hazardous goods due to threat of terrorism.’

Terrorism2		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	4.9	4.9	4.9
	Neither disagree nor agree	12	29.3	29.3	34.1
	Agree	19	46.3	46.3	80.5
	Strongly Agree	8	19.5	19.5	100.0
	Total	41	100.0	100.0	

The result in Table 5.16 shows that most of the respondents agree and strongly agree that there is recently more difficulty in finding means for transportation of hazardous goods due to threat of terrorism, with the percentages of 46.3% and 19.5% respectively. It also indicates that 29.3% neither disagree nor agree and 4.9% disagree with the statement.

- **Frequency Distribution of Responses to Culture**

Table 5.17: Frequency Distribution of responses to ‘Cultural differences exist in dealing with Thai authorities.’

Culture1		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	9.8	9.8	9.8
	Neither disagree nor agree	13	31.7	31.7	41.5
	Agree	23	56.1	56.1	97.6
	Strongly Agree	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

In Table 5.17, the result indicates that 56.1% of the respondents agree and 2.4% strongly agree that cultural differences exist in dealing with Thai authorities. There are 9.8% who disagree with the statement and 31.7% neither disagree nor agree.



Table 5.18: Frequency Distribution of responses to ‘Cultural differences delay work flow with Thai authorities.’

Culture2		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	12.2	12.2	12.2
	Neither disagree nor agree	22	53.7	53.7	65.9
	Agree	14	34.1	34.1	100.0
	Total	41	100.0	100.0	

Table 5.18 shows that most of the respondents neither disagree nor agree that cultural differences delay work flow with Thai authorities, with the percentage of 53.7%. There are 34.1% agree and 12.2% disagree with the statement.

Table 5.19: Frequency Distribution of responses to ‘There is language and communication barrier in dealing with Thai authorities.’

Culture3		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	4.9	4.9	4.9
	Neither disagree nor agree	22	53.7	53.7	58.5
	Agree	16	39.0	39.0	97.6
	Strongly Agree	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

In table 5.19, the result indicates that 53.7% of the respondents neither disagree nor agree that there is language and communication barrier in dealing with Thai authorities. There are 39.0% and 2.4% who agree and strongly agree respectively, while there are only 4.9% who disagree with the statement.

- **Frequency Distribution of Responses to Technology**

Table 5.20: Frequency Distribution of responses to 'Lack of procurement information are provided on the internet.'

Technology1		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	7	17.1	17.1	17.1
	Neither disagree nor agree	20	48.8	48.8	65.9
	Agree	14	34.1	34.1	100.0
	Total	41	100.0	100.0	

In Table 5.20, nearly half of the respondents neither disagree nor agree that there is lack of procurement information provided on the internet, with the percentage of 48.8%. The number of respondents who agree with the statement is also high, which is at 34.1%, while 17.1% disagree.

Table 5.21: Frequency Distribution of responses to 'It is difficult to propose new technological products to Thai authorities.'

Technology2		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	4.9	4.9	4.9
	Neither disagree nor agree	26	63.4	63.4	68.3
	Agree	12	29.3	29.3	97.6
	Strongly Agree	1	2.4	2.4	100.0
	Total	41	100.0	100.0	

From Table 5.21, the result shows that 63.4% of the respondents neither disagree nor agree that it is difficult to propose new technological products to Thai authorities. While 29.3% and 2.4% agree and strongly agree with the statement respectively. There are only 4.9% that disagree.

Table 5.22: Frequency Distribution of responses to ‘Does your organization face any barrier(s) in exporting firearms and ammunitions to Thailand.’

Export Barrier1					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	31	75.6	75.6	75.6
	Strongly Agree	10	24.4	24.4	100.0
	Total	41	100.0	100.0	

From Table 5.22, the entire respondents feel that they face barriers in exporting firearms and ammunitions to Thailand, as the percentages of those who agree are 75.6% and strongly agree is 24.4%.

- **Frequency Distribution of Responses to Export Barriers**

Table 5.23: Frequency Distribution of responses to ‘Export barrier(s) in exporting firearms and ammunitions to Thailand have existed for long time.’

Export Barrier2					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	15	36.6	36.6	36.6
	Agree	24	58.5	58.5	95.1
	Strongly Agree	2	4.9	4.9	100.0
	Total	41	100.0	100.0	

In Table 5.23, the result shows that 58.5% and 4.9% of the respondents agree and strongly agree respectively, that export barrier(s) in exporting firearms and ammunitions to Thailand have existed for a long time. There are also some respondents who had no comment on this statement, as the percentage for neither disagree nor agree is 36.6%.

Table 5.24: Frequency Distribution of responses to ‘The export barrier(s) affect your decision in continuing export to Thailand.’

Export Barrier3		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neither disagree nor agree	29	70.7	70.7	70.7
	Agree	12	29.3	29.3	100.0
	Total	41	100.0	100.0	

In Table 5.24, the result indicates that almost 30.0% of the respondents agree that the export barrier(s) affect their decision in continuing export to Thailand, while the rest are neutral with the statement.

5.1.3 Cross Tabulations

Cross Tabulation is organizing data by groups, categories, or classes to facilitate comparisons. It is a joint frequency distribution of observations on two or more sets of variables.

For deeper analysis and understanding, cross tabulation was performed between the two aspects of export control variable with Country of Origin, since different countries have different export regulations and respondents from different countries may therefore have different point of view.

Table 5.25: The Cross tabulation between response of 'There is a problem in approval of Export license for export to Thailand' and 'Country of Export'

Export Control1 * Country Crosstabulation							
			Country				Total
			US	UK	Europe	Others	
Export Control1	Disagree	Count	3	1	5	7	16
		% within Export Control1	18.8%	6.3%	31.3%	43.8%	100.0%
		% of Total	7.3%	2.4%	12.2%	17.1%	39.0%
	Neither disagree nor agree	Count	2	1	2	2	7
		% within Export Control1	28.6%	14.3%	28.6%	28.6%	100.0%
		% of Total	4.9%	2.4%	4.9%	4.9%	17.1%
	Agree	Count	2	1	6	1	10
		% within Export Control1	20.0%	10.0%	60.0%	10.0%	100.0%
		% of Total	4.9%	2.4%	14.6%	2.4%	24.4%
	Strongly Agree	Count	0	2	5	1	8
		% within Export Control1	.0%	25.0%	62.5%	12.5%	100.0%
		% of Total	.0%	4.9%	12.2%	2.4%	19.5%
Total	Count	7	5	18	11	41	
	% within Export Control1	17.1%	12.2%	43.9%	26.8%	100.0%	
	% of Total	17.1%	12.2%	43.9%	26.8%	100.0%	

The results from Table 5.25 shows that from a total of 100%; none of the respondents strongly disagrees with problem in approval of export license to Thailand, 39.0% Disagree, 17.1% neither disagree nor agree, 24.4% agree, and 19.5% strongly agree. The result highlights that out of those who agree and strongly agree, European countries (excluding the UK) have the highest percentage of 60% and 62.5% respectively; followed by UK with percentages of 10% and 25% accordingly, while only 10% of respondents from America agree and none strongly agrees. Further other countries, such as Australia, South Africa, Malaysia, Indonesia and South American Countries have the highest percentage of 43.8% for disagreeing with having a problem in approval of export license to Thailand. The result can therefore be summarized that problem in approval of export license to Thailand is most evident in European countries including the UK.



Table 5.26: The Cross tabulation between responses for 'Approval of export license for export to Thailand takes long time' and 'Country of Origin'

Export Control2 * Country Crosstabulation							
			Country				Total
			US	UK	Europe	Others	
Export Control2	Disagree	Count	3	1	6	5	15
		% within Export Control2	20.0%	6.7%	40.0%	33.3%	100.0%
		% of Total	7.3%	2.4%	14.6%	12.2%	36.6%
	Neither disagree nor agree	Count	3	1	1	4	9
		% within Export Control2	33.3%	11.1%	11.1%	44.4%	100.0%
		% of Total	7.3%	2.4%	2.4%	9.8%	22.0%
	Agree	Count	1	2	9	2	14
		% within Export Control2	7.1%	14.3%	64.3%	14.3%	100.0%
		% of Total	2.4%	4.9%	22.0%	4.9%	34.1%
	Strongly Agree	Count	0	1	2	0	3
		% within Export Control2	.0%	33.3%	66.7%	.0%	100.0%
		% of Total	.0%	2.4%	4.9%	.0%	7.3%
Total	Count	7	5	18	11	41	
	% within Export Control2	17.1%	12.2%	43.9%	26.8%	100.0%	
	% of Total	17.1%	12.2%	43.9%	26.8%	100.0%	

The results from Table 5.26 shows that from a total of 100%; none of the respondents strongly disagrees, 36.6% Disagree, 22.0% neither disagree nor agree, 34.1% agree, and 7.3% strongly agree that approval of export license for export to Thailand takes a long time. The results, similar to previous analysis shows that, of the total of those who agree, respondents from European countries (excluding the UK) have highest percentages of 64.3% and 66.7% for agree and strongly agree respectively; followed by the UK with percentages of 14.3% and 33.3%. Only 7.1% of those who agree and none of those who strongly agree are respondents from America. Similarly, only 14.3% of those who agree are from other countries, including Australia, South Africa, Malaysia, Indonesia and South American Countries. The result depicted by this analysis may therefore be summarized again that the approval of export license for export to Thailand takes a long time mainly in European countries, including the UK.

#### 5.1.4 Analysis of Open-ended Question

This research requested in part III of the questionnaire for respondents to provide suggestions and recommendations which may be adopted by distributors or end-user that can help reduce or eliminate factors serving as export barriers. Out of the 41 respondents, only 14 responded with their comments in this part.

However, of those who responded many did not provide clear suggestions and recommendations of ways that can be adopted to improve the situation, but rather merely suggested to reduce or improve certain aspects leading to problems or barriers. Their suggestions and recommendations will therefore be summarized in general terms based on each factor/variable.

Accordingly, it was found that most respondents (6 out of 14) in different ways suggested that Thai Authorities should reduce the number of bidding documents required, the certification requirement and to provide more time to prepare for them. Many (4 out of 14) suggested that policies on penalty charges should be more flexible. Different suggestions and recommendations of ways for improvement in Work process of Thai authorities were also provided by 5 out of 14 respondents. Only one respondent provided a suggestion regarding both Foreign Export Control and Terrorism. Two of those who responded in this part recommended to discontinue the requirement for Thai-flagged vessel. No respondents provided any suggestions or recommendation for improving problem in terms of cultural differences, however, three respondents commented that Thailand needed to improve the technological level, develop and bring in new technology and use newer technological processes. A few general recommendations to help improve the work flow were also suggested by two respondents.

Suitable and plausible suggestions and recommendations from respondents will be mentioned and used in the conclusion and recommendation part of this study.

5.2 Hypothesis Testing

Hypotheses are conjectural statements of the relationship between two or more variables that carry implications for testing the stated relations. Hypothesis statements are operated into two logical statements i.e. true and false statements or Null Hypothesis State ( $H_0$ ) and Alternative Hypothesis State ( $H_a$ )

In this study, eight hypotheses will be tested to determine the relationship between several factors in exporting firearms and ammunition to Thai military and police force and Export Barrier. The bivariate correlation is used to find out the relationship between independent variables and dependent variable. Spearman rank-order correlation coefficient is used to determine the correlation between two variables.

Hypothesis 1:

H1o: There is no relationship between bidding requirements and export barriers

H1a: There is a relationship between bidding requirements and export barriers

Table 5.27: Spearman’s rank correlation test between bidding requirements and export barriers.

Correlations			BIDDING	BARRIER
Spearman's rho	BIDDING	Correlation Coefficient	1.000	.429**
		Sig. (2-tailed)	.	.005
		N	41	41
	BARRIER	Correlation Coefficient	.429**	1.000
		Sig. (2-tailed)	.005	.
		N	41	41

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Significant level (2-tailed test):** The bivariate test in Table 5.27 shows the significant value of 0.005 which is less than 0.01 ( $0.005 < 0.01$ ). This means that the null hypothesis is rejected while the alternative hypothesis is accepted. Therefore, the result reveals the fact that there is a relationship between bidding requirements and export barriers, at the 0.01 level of significance.

**Correlation coefficient** value equals to 0.429, which indicates that there is a moderate positive correlation between bidding requirements and export barriers. The symbol \*\* indicates that the correlation is significant at the 0.01 level under 2-tailed test. It can be explained that the result is more accurate at 99% level of significance and the result will, by chance, create a 1% error.

### Hypothesis 2:

H2o: There is no relationship between contract conditions and export barriers

H2a: There is a relationship between contract conditions and export barriers

Table 5.28: Spearman's rank correlation test between contract conditions and export barriers.

Correlations			CONTRAC	BARRIER
Spearman's rho	CONTRAC	Correlation Coefficient	1.000	.284
		Sig. (2-tailed)	.	.072
		N	41	41
	BARRIER	Correlation Coefficient	.284	1.000
		Sig. (2-tailed)	.072	.
		N	41	41

**Significant level (2-tailed test):** The bivariate test in Table 5.28 shows the significant value of 0.072 which is higher than 0.05 ( $0.072 > 0.05$ ). This means that the null hypothesis failed to reject, i.e. the null hypothesis was accepted. Therefore, the result

shows that there is no relationship between contract conditions and export barriers, at the 0.05 level of significance.

Since the contract condition, an important factor, consists of two different aspects, including difficulty in meeting delivery period and rigid policy regarding penalty charges; this independent variable was further analyzed by testing the relationship between each aspect of the variable with export barrier. The results are shown and interpreted as follows.

Table 5.29: Spearman’s rank correlation test between contract condition 1 (delivery term), contract condition 2 (penalty charges) and export barriers.

Correlations					
			Contract1	Contract2	BARRIER
Spearman's rho	Contract1	Correlation Coefficient	1.000	.499**	.115
		Sig. (2-tailed)	.	.001	.475
		N	41	41	41
	Contract2	Correlation Coefficient	.499**	1.000	.339*
		Sig. (2-tailed)	.001	.	.030
		N	41	41	41
	BARRIER	Correlation Coefficient	.115	.339*	1.000
		Sig. (2-tailed)	.475	.030	.
		N	41	41	41

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

**Significant level (2-tailed test):** According to Table 5.29, for contract condition 1 (delivery term), the correlation test shows that the significant value for contract condition 1 is 0.475 which is higher than 0.05 (0.475 > 0.05). This means the null hypothesis failed to reject, i.e. the null hypothesis was accepted. Therefore, the result shows that there is no relationship between contract conditions 1, which is difficulty in meeting delivery period and export barriers, at the 0.05 level of significance.



**Significant level (2-tailed test):** According to Table 5.29, for contract condition 2 (penalty charges), the correlation test shows that the significant value for contract condition 2 is 0.030 which is less than 0.05 ( $0.030 < 0.05$ ). This means that the null hypothesis is rejected while the alternative hypothesis is accepted. Therefore, the result reveals the fact that there is a relationship between contract condition 2, which is rigid policy regarding penalty charges and export barriers, at the 0.05 level of significance.

**Correlation coefficient** value for contract condition 2 equals to 0.339, which indicates that there is a weak positive correlation between contract rigid policy regarding penalty charges and export barriers.

### **Hypothesis 3:**

H3o: There is no relationship between work process of Thai authorities and export barriers

H3a: There is a relationship between work process of Thai authorities and export barriers

Table 5.30: Spearman's rank correlation test between work process of Thai authorities and export barriers.

#### **Correlations**

		WORKPRO	BARRIER
Spearman's rho	WORKPRO	Correlation Coefficient	1.000
		Sig. (2-tailed)	.290
		N	41
	BARRIER	Correlation Coefficient	.290
		Sig. (2-tailed)	.066
		N	41

**Significant level (2-tailed test):** The bivariate test in Table 5.30 shows the significant value of 0.066 which is greater than 0.05 ( $0.066 > 0.05$ ). This means that the null hypothesis failed to reject, i.e. the null hypothesis is accepted. Therefore, the result reveals the fact that there is no relationship between work process of Thai authorities and export barriers, at the 0.05 level of significance.

**Hypothesis 4:**

H4o: There is no relationship between foreign export control and export barriers

H4a: There is a relationship between foreign export control and export barriers

Table 5.31: Spearman’s rank correlation test between foreign export control and export barriers.

Correlations			EXPORT	BARRIER
Spearman's rho	EXPORT	Correlation Coefficient	1.000	.196
		Sig. (2-tailed)	.	.220
		N	41	41
	BARRIER	Correlation Coefficient	.196	1.000
		Sig. (2-tailed)	.220	.
		N	41	41

**Significant level (2-tailed test):** The bivariate test in Table 5.31 shows the significant value of 0.220 which is greater than 0.05 ( $0.220 > 0.05$ ). This means that the null hypothesis failed to reject, i.e. the null hypothesis was accepted. Therefore, the result reveals the fact that there is no relationship between foreign export control and export barriers.

**Hypothesis 5:**

H5o: There is no relationship between shipment and export barriers

H5a: There is a relationship between shipment and export barriers

Table 5.32: Spearman's rank correlation test between shipment and export barriers.

Correlations			SHIPMEN	BARRIER
Spearman's rho	SHIPMEN	Correlation Coefficient	1.000	.414**
		Sig. (2-tailed)	.	.007
		N	41	41
	BARRIER	Correlation Coefficient	.414**	1.000
		Sig. (2-tailed)	.007	.
		N	41	41

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Significant level (2-tailed test):** The bivariate test in Table 5.32 shows the significant value of 0.007 which is less than 0.01 ( $0.007 < 0.01$ ). This means that the null hypothesis is rejected while the alternative hypothesis is accepted. Therefore, the result reveals the fact that there is a relationship between shipment and export barriers, at the 0.01 level of significance.

**Correlation coefficient** value equals to 0.414, which indicates that there is a moderate positive correlation between shipment and export barriers. The symbol \*\* indicates that the correlation is significant at the 0.01 level under 2-tailed test. It can be explained that the result is more accurate at 99% level of significance and the result will, by chance, create a 1% error.

### Hypothesis 6:

H6o: There is no relationship between terrorism and export barriers

H6a: There is a relationship between terrorism and export barriers

Table 5.33: Spearman's rank correlation test between terrorism and export barriers.

Correlations				
Spearman's rho	TERROR	Correlation Coefficient	1.000	.448**
		Sig. (2-tailed)	.	.003
		N	41	41
	BARRIER	Correlation Coefficient	.448**	1.000
		Sig. (2-tailed)	.003	.
		N	41	41

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Significant level (2-tailed test):** The bivariate test in Table 5.33 shows the significant value of 0.003 which is less than 0.01 ( $0.003 < 0.01$ ). This means that the null hypothesis is rejected while the alternative hypothesis is accepted. Therefore, the result reveals that there is a relationship between terrorism and export barriers, at the 0.01 significant level.

**Correlation coefficient** value equals to 0.448, which indicates that there is a moderate positive correlation between terrorism and export barriers. The symbol \*\* indicates that the correlation is significant at the 0.01 level under 2-tailed test. It can be explained that the result is more accurate at 99% level of significance and the result will, by chance, create a 1% error.

### Hypothesis 7:

H7o: There is no relationship between culture and export barriers

H7a: There is a relationship between culture and export barriers

Table 5.34: Spearman's rank correlation test between culture and export barriers.

Correlations				
Spearman's rho	CULTURE	Correlation Coefficient	1.000	.346*
		Sig. (2-tailed)	.	.027
		N	41	41
	BARRIER	Correlation Coefficient	.346*	1.000
		Sig. (2-tailed)	.027	.
		N	41	41

\*. Correlation is significant at the 0.05 level (2-tailed).

**Significant level (2-tailed test):** The bivariate test in Table 5.34 shows the significant value of 0.027 which is less than 0.05 ( $0.027 < 0.05$ ). This means that the null hypothesis is rejected while the alternative hypothesis is accepted. Therefore, the result reveals that there is a relationship between culture and export barriers, at the 0.05 level of significance.

**Correlation coefficient** value equals to 0.346, which indicates that there is a weak positive correlation between culture and export barriers. The symbol \*\* indicates that the correlation is significant at the 0.01 level under 2-tailed test. It can be explained that the result is more accurate at 99% level of significance and the result will, by chance, create a 1% error.



**Hypothesis 8:**

H8o: There is no relationship between technology and export barriers

H8a: There is a relationship between technology and export barriers

Table 5.35: Spearman’s rank correlation test between technology and export barriers.

Correlations			TECHNO	BARRIER
Spearman's rho	TECHNO	Correlation Coefficient	1.000	.169
		Sig. (2-tailed)	.	.290
		N	41	41
	BARRIER	Correlation Coefficient	.169	1.000
		Sig. (2-tailed)	.290	.
		N	41	41

**Significant level (2-tailed test):** The bivariate test in Table 5.35 shows the significant value of 0.290 which is greater than 0.05 ( $0.290 > 0.05$ ). This means that the null hypothesis failed to reject, i.e. the null hypothesis was accepted. Therefore, the result shows that there is no relationship between technology and export barriers.

## **CHAPTER VI**

### **SUMMARY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This final chapter summarizes and further discusses the findings from the analysis in the previous chapter. Based on the statistical results and the objectives stated for this research, conclusions are drawn, recommendations are provided, and limitations and directions for further research are discussed.

#### **6.1 Summary of Findings**

The aim and main objective of this research was to identify and determine the extent of barriers to suppliers in exporting firearms and ammunitions to the Thai military and police force. To answer this objective, statistical analysis was conducted in terms of descriptive and inferential statistics, based on the data collected from the 41 questionnaires distributed to 41 different suppliers of firearms and/or ammunitions.

##### **6.1.1 Summary of Descriptive Statistics**

In terms of descriptive statistics, frequency distribution of respondents' company information and their responses to each question was determined. From the company information, it was found that most respondents were suppliers and/or manufactures of ammunitions. This is suitable result since ammunitions consist of many different calibers and components which may be manufactured or supplied by different companies. The countries of origin of respondents were categorized into Europe, the UK (as many of their law and regulations are still not the same as other European countries), the USA and others which includes Asia, Australia, South America and South Africa since very few suppliers exist in each of these countries. The frequency distribution showed that most respondents were from Europe 43.9%, followed by Others 26.8%, US 17.1% and UK 12.2%.

Frequency distribution of responses to each question corresponding to the different variables was also conducted to reveal the opinion of respondents on each issue. The results showed that most respondents agreed on statements regarding bidding documents, contract condition, shipment, terrorism, culture and export barrier. A high percentage also strongly agreed with the statements for these variables. For the remaining variables, work process of Thai authorities, foreign export control and technology, highest percentage of respondents neither agreed nor disagreed, and a high percentage agreed. Very few respondents disagreed with the statements for all variables and hardly any strongly disagreed.

Cross tabulation was also conducted between each statement concerning foreign export control and country of origin. This was done in order to provide better analysis since the export control for each country is different and respondent may thus have different opinion regarding their country's export control. The results of the cross tabulation revealed that respondents from European countries, including UK accounted for the most percentage of those who agreed to both the statements that 'there is problem in approval of export license for export to Thailand' and 'approval of export license for export to Thailand takes a long time.'

Brief summary of the comments from respondents in the open-ended question, requesting for suggestions and recommendations in reducing and eliminating factors serving as barriers, was performed which concluded the number of responses, overall and for each category which in this case is the different variables. Some suitable and plausible comments, suggestions and recommendations will be mentioned in the conclusion and used in the recommendations for this study.

### **6.1.2 Summary of Hypothesis Testing**

Eight hypotheses were tested to determine the relationship between each independent variable, which is the factor affecting export trade of firearms and

ammunitions to the Thai military and police force, and the dependent variable which is export barrier. The hypotheses were tested using Spearman rank-order correlation coefficient. Hypothesis H1, H5 and H6 were tested at the 0.01 level of significance, while all remaining hypothesis were tested at the level of significance of 0.05. The results from the hypothesis testing are summarized in the following table:

Table 6.1: Summary of Hypothesis Testing

Hypothesis	Statistics Test	Level of Significance	Correlation Coefficient	Result
H1 <sub>o</sub> : There is no relationship between bidding requirements and export barriers	Spearman rank-order correlation coefficient	0.005	0.429**	Reject H <sub>o</sub>
H2 <sub>o</sub> : There is no relationship between contract conditions and export barriers	Spearman rank-order correlation coefficient	0.072	0.284	Accept H <sub>o</sub>
H3 <sub>o</sub> : There is no relationship between work process of Thai authorities and export barriers	Spearman rank-order correlation coefficient	0.066	0.290	Accept H <sub>o</sub>
H4 <sub>o</sub> : There is no relationship between foreign export control and export barriers	Spearman rank-order correlation coefficient	0.220	0.196	Accept H <sub>o</sub>
H5 <sub>o</sub> : There is no relationship between shipment and export barriers	Spearman rank-order correlation coefficient	0.007	0.414**	Reject H <sub>o</sub>
H6 <sub>o</sub> : There is no relationship between terrorism and export barriers	Spearman rank-order correlation coefficient	0.003	0.448**	Reject H <sub>o</sub>
H7 <sub>o</sub> : There is no relationship between culture and export barriers	Spearman rank-order correlation coefficient	0.027	0.346*	Reject H <sub>o</sub>
H8 <sub>o</sub> : There is no relationship between Technology and export barriers	Spearman rank-order correlation coefficient	0.290	0.169	Accept H <sub>o</sub>

The results from the hypothesis testing revealed that bidding requirement, shipment, terrorism and culture do exhibit a relationship with export barrier. Therefore, these variables are the correlated factors to export barriers in exporting firearms and ammunition to the Thai military and police force. The correlation coefficient factor indicates that moderated positive relationship exists between bidding requirement, shipment, terrorism and export barrier while and weak positive relationship exist between culture and export barrier.

Other variables, including contract condition, work process of Thai authorities, foreign export control and technology did not prove to have a relationship with export barriers. However, further test was conducted to find out the relationship between the two different aspects of contract condition, delivery period and penalty charge, and export barrier. This test proved that the relationship exists between penalty charge and export barrier, but not between delivery period and export barrier; penalty charge can therefore be considered another correlated factor to export barrier in exporting firearms and ammunitions to Thai military and police force.

## 6.2 Conclusion

This research was successful in achieving its objective of identifying the export barriers in exporting firearms and ammunition to the Thai military and police force. From the results, it can be concluded that bidding requirements, shipment, terrorism and culture prove to be export barriers.

**Bidding** documents that are required from suppliers in order to submit bids to participate in tenders, is proven to be problematic and a barrier as most respondents agree and strongly agree that, it is time consuming to prepare and submit numerous documents and also costly since the documents must be certified by the Thai Embassy or Thai Consulate which may be unavailable in the supplier's city, state or country.



According to Zoellick (2004) a specific set of rules, referred to as the Prime Minister's Procurement Regulation, govern public-sector procurement for ministries and state-owned enterprises. According to this regulation, the specific requirements including the qualification of bidder, documents to be submitted along with the bid and the procedure for submission of bid, are provided in the 'Instruction to Bidders' as enclosed in Appendix A. It can be seen that the documents and requirements are numerous; suppliers therefore agree that it is time consuming to prepare the documents and certify them specifically for each tender, especially when all the hard work is not a promise that they will win the bid and be awarded the contract. In addition, sometimes inquiries are made and documents are required to be submitted only for budgetary purpose rather than an actual intention to buy. The Thai Embassy or Thai Consulate is not available in every state, city or country, suppliers therefore have to travel and incur expenses to get documents certified at the available offices. However, the availability is limited since according to the Thai law, no more than two diplomatic or consular offices can be open in one year. In addition, some complaints have also been made regarding less co-operation from the embassies' officials due to their bureaucratic nature and sometimes unwillingness to work with national officials.

**Shipment** is another important factor that has proved to be an export barrier. Shipment, in this research concerns, the difficulty in finding Thai-flagged vessel for shipment by sea, the fact that shipment by Thai-flagged vessel is expensive, and the difficulty in finding means of transportation for hazardous goods.

Thai-flagged vessel is required for shipment by sea, on route that Thai vessel operate, for all goods ordered or imported by state agency, government agency, or state enterprise from foreign countries, according to the Merchant Marine Promotion Act, 1978 (enclosed in Appendix D). Nearly all respondents agreed that Thai-flagged vessels are difficult to find as very few operate throughout the world. This issue therefore delays the shipment. However, in case goods could not be carried by Thai vessel, the Merchant Marine Promotion Act, 1978 requires that written permit (sometimes called waiver certificate) be applied with its office in order to be allowed to carry goods by other vessel

under the rules and procedure as determined by the office. It is however difficult to get approval of waiver certificate without sufficient evidence on the unavailability of Thai-flagged vessel, further approval or disapproval of the permit will be informed within 5 days after applying and only after approval can the good be shipped, which again can delay shipment. If suppliers do not adhere to rules and regulation imposed by the Thai Maritime law, they may be liable to special fee equal to or twice the freight charge.

Shipment on Thai-flagged vessel poses another problem as informed and agreed with by most respondents that the freight charges on such vessel is very high, thus increase the expenses for suppliers.

Firearms and more so ammunitions are considered to be hazardous goods, and as can be expected, due to security threat of carrying such goods, many forwarders are not willing to accept such cargo for shipment.

Shipment of firearms and ammunition to Thailand faces mentioned problems and obstacles which consequently pose other problems including late delivery of goods and thus penalty charges to be incurred, which can be considered an unnecessary expense. Suppliers therefore consider shipment to be one of the export barriers in exporting firearms and ammunition to the Thai Military and police force.

An important issue of particular interest in today's world is '**terrorism**'. The threat of terrorism has affected many industries including the global defense industry and consequently the export of defense products. This research provided the finding as agreed on by most respondents that, due to the threat of terrorism there are stricter export control regulations and more difficulty in finding means of transportation for shipment of hazardous good, in this case firearms and ammunitions, thus, proving terrorism to be another barrier in exporting firearms and ammunition to the Thai military and police force.

Governments of many nations have or will impose stricter regulations for the export and transport of defense products. This is in accordance with the counter-terrorism strategy developed by the United Nations. This is also agreed by Anthony in his article in SIPRI (2005) mentioning that there is an emerging mosaic of arm control measures; and by Korb and Wadhams in their article from Center for Defense Information (CDI) discussing that the US should set example on limiting arms export.

In addition, there has also been documentation (which cannot be disclosed) stating that for some European countries, approval of export of ammunitions to Thailand is being limited in that the export license is more difficult to approve due to unrest situation in the South of Thailand and the worsening human rights record of Thailand due to the increase in extrajudicial killings and arbitrary arrest as confirmed by Gracia (2004) in her report on Thailand.

The treat of terrorism has caused it to be more difficult in finding means of transportation for hazardous goods since transportation systems have proved to be critical to terrorist activities. Further as reported by Ong (2004) marine terrorism has been added as another threat to Southeast Asia security and the disturbing trend is the rise of hijackings among incidents of piracy.

Another factor that suppliers consider to be a barrier in exporting firearms and ammunition to Thai military and police force is the **cultural differences** that exist. This factor is a common barrier to international business and may serve as barrier even for export of other kind of goods.

Respondents of this study agree that cultural differences exit in dealing with Thai Authorities and that the differences delay work flow. They also agree that there is language and communication barrier in dealing with Thai Authorities. The elements of culture as identified by Czinkota et, al., (2004) include language, religion, values and attitude, manners and customs, material element, aesthetics, education and social institutions; which is different between societies and nations. The differences therefore

cause difficulty in achieving mutual understanding and sometimes delay work flow. Language is also an important issue that Thai people, in general, still lack in proficiency and therefore causes problem in communication between suppliers and Thai authorities, thus requiring service of local representative as well as translators.

Even though the remaining variables including contract condition, work process of Thai Authorities, foreign export control and technology were not proved to be export barriers according to the hypothesis testing, however they are still considered problems as the different problematic factors of these variable were agreed upon by many respondents in the frequency distribution.

In this research **contract condition** highlighted two important and different aspects, delivery period and penalty charge. Even though most respondents agreed to both difficulty in meeting delivery period as well as the existence of rigid policy regarding penalty charges for late delivery, more agree on the latter. Further analysis was also conducted to find out whether relationship existed between each of the factors and export barrier. The result proved as expected that delivery period did not have relationship with export barrier but penalty did. This can be explained that delivery period set by the authorities was sufficient and not difficult to meet, however, supplier meet some obstacles such as late approval of export license or difficulty in finding shipment vessel which causes delivery to exceed the contract expiry and thus to incur penalty charges.

Policies on penalty charges are however very rigid, for late delivery beyond the contract expiry date, the buyer, in this case certain ministry imposes penalty at the penalty rate of 0.2 percent per day of the total value of undelivered goods, from the date after the expiry date until the complete delivery is made. In addition, it is also very difficult to request for contract extension or exemption or reduction of penalty charges, which is only possible in the event of force majeure or other circumstances which is not the fault of either the seller or the buyer, and for which evidence must be provided to the authorities in form of writing for their consideration. Evidence is however sometime unavailable or cannot be disclosed.



**Work process of Thai Authorities**, in terms of frequent rotation of key personnel creating problem in proposing new products, slow processing of required documents by authorities and the bureaucratic nature of Thai authorities delaying the procurement process, did not prove to be an export barrier nor a big problem as even though some respondents agreed on the issue but most neither agreed nor disagreed. However, in the open-ended question, there was a recommendation that the bureaucracy should be simplified and processing of documents should speed up.

**Foreign export control**, another variable that did not prove to be an export barrier but was further analyzed by cross tabulation, which revealed that problem in terms of export control including getting approval of export license for export to Thailand being more difficult and taking a long time, was most evident in European countries including the UK. This is in accordance with the current situation that G.H. Company is facing with European suppliers, many contracts were delayed due to late approval or disapproval of export license and some contract even had to be cancelled.

**Technology** was also proved not to be a barrier and less of a problem. However, suppliers did agree that lack of procurement information existed on the internet and suggested that it should be more readily available and the internet should publish competitions and permit companies to register for receiving 'request for quotations'.

In final conclusion, it can be said that the study fulfilled its objectives of identifying factors serving as export barriers in exporting firearms and ammunition to the Thai military and police force; these findings, as aimed, can provide better understanding to the customers, suppliers, distributors and other interested parties. Further insight on supplier's responses and suggestions was gained and the findings of the study were also discussed with certain Thai government authorities, from whom some recommendations were provided and would be discussed.



### 6.3 Recommendations

From this research it was found that for many suppliers the existence of export barriers affects their decision in continuing business or more specifically export to Thailand. Some suppliers even mentioned that their management is reluctant to purchase business in Thailand because of the time and expenses necessary to capture and execute a contract. This, therefore, proves that some measure need to be taken to improve the flow of business with Thai military and police force, or in other words reduce or eliminate the existing barriers. Some recommendations are provided.

One solution, as suggested by procurement officer of a certain military department, that can eliminate most if not all barriers is for the Thai military and police force to procure defense products through Government to Government (G2G) procurement, sometimes referred to as Foreign Military Sales (FMS), which involves an agreement for the purchase of specific defense products or otherwise, directly between the manufacturer/suppliers' Government and the buyer's government. This kind of procurement will eliminate the requirement for suppliers to prepare numerous documents and get them certified or translated as the Foreign Ministry of the purchasing country will handle the checking and translation of the documents, thus eliminating the bidding requirement barrier. The conditions of the contract, in this case called an agreement, will be more flexible in terms of delivery period as it will be based upon negotiations of the two governments and incase any obstacles arise, solution will be brought about through friendly discussion between the representatives assigned by each of the governments. A sample of such an agreement is enclosed in Appendix G. There is also no policy on penalty charges for late delivery. This clearly eliminates the barrier in terms of contract condition, and in the process also eliminates problems of work process of Thai authorities and foreign export control.

In addition, shipment for goods sold through this kind of procurement does not have to be by Thai-flagged vessel, reducing the difficulty in terms of shipment; as generally

certain military authorities will be assigned to handle the shipment of goods which are sometimes carried by the purchasing government's military vessel.

Other general recommendations, by considering each factor, starting from those that were proven to be export barriers through hypothesis testing are provided. For the first barrier, Bidding Requirement, one of the recommendation, as suggested by an authority of the Royal Thai Army, is to conduct procurement similar to that done in Singapore where the manufacturers or suppliers provides to the government or specific military or police force, certain of their product as a sample to be tested. If the authorities are satisfied, they will proceed with the procurement of that product continuously without requiring the submission of bid and the document required for it. This, however, requires initial investment by the manufacturers/suppliers.

However, for local tender, which is currently the most common way of procurement, it is very difficult to reduce the documents required as well to change the requirement for certifying documents (which are the problem factors), as this is set by the Foreign Ministry. What can be recommended is for the Thai Embassies and Thai Consulates to provide better co-operation and support, which can be done by educating the official regarding government procurement and the important role they play in it. Another suggestion on this issue was recommended by a supplier of both firearms and ammunition from UK that Thai authorities should permit trusted local Embassy Defense staff to provide warranties on company information, competence, approved advisers, etc rather than always requiring certified paperwork from overseas. Yet another respondent of firearms from Brazil suggested that authorities should allow for acceptance of general documents valid for all tenders instead of specific document for each tender.

The requirement of Thai-flagged vessel for shipment by sea would remain as it is the regulation according to the Thai Maritime law, however what can be done to reduce the problems this causes would be to increase the number of Thai-flagged vessel operating throughout the world, which may consequently reduce the high freight cost as monopoly would no longer exist. Further, waiver certificate should be more easily

applied and approved. Another feasible option for this issue would be for the Ministry of Defense to charter Thai-flagged vessel from companies providing the service, on a quarterly basis to pick up goods for all contracts or orders made by the different military departments as well as the police force, from the different regions where orders are frequently made. This would ensure shipment of goods on a set timely basis on Thai-flagged vessel. Combined shipment for many contracts would also reduce the freight charges. Further the forwarders are also ensured of regular continued business.

Regarding terrorism and at the same time export control, a respondent of firearms from UK suggested for the Thai government to resolve the problem in the Southern part of Thailand in order for the UK government to issue export license more easily. Resolving problem in the south requires a lot of time and effort, but the results would also provide great benefits in terms of national and international peace.

In terms of problems that exist due to cultural differences and language, what can and should be done is for Thai authorities to improve their English language proficiency and understand the different cultures of suppliers from different countries in order to reduce the chances of any conflict that may arise.

Recommendations where possible are also given for factors that did not prove to be export barriers according to hypothesis testing, since there have also been complaints and suggestions regarding these issues from suppliers, and the problematic statements for these variables in the questionnaire of this research was also agreed upon by most respondents.

With the problem of contract condition, the only thing to be recommended would be 'flexibility', i.e., as commented by a supplier of ammunitions from USA, authorities should allow for greater flexibility for the greater difficulties that now exist in getting all the approvals required for exporting and importing, and the greater difficulty in arranging timely shipment as neither of these are likely to improve in the future, and in fact may become worse as government attempt to impose greater control over the shipment of

defense products. Flexibility should also be extended for policies on penalty charges, the aspect of contract condition that proved to be a barrier. As suggested by a respondent from UK, a cap or limit on penalties should be placed because western company lawyers will not allow companies to accept contracts with open-ended penalties.

Regarding the delay caused by work process of Thai Authorities, recommendation would be to centralize major procurement with Ministry of Defense or each major armed force rather than its divided minor units. This would speed up procurement, reduce the amount of paperwork, reduce expenses and time, and procurement would also be in larger quantity. Authorities should have some kind of advance planning for expected procurement, and procure in big lots, for which supplier will be more willing to spend the time and money in preparation of documents.

In terms of Technology, Thailand in general should improve the technological level, accordingly one respondent provided his opinion that Thailand needs to develop and bring in new technology. They need to develop beyond the materials that were twenty years ago. Thailand also needs to focus more on quality.

A final general recommendation with the aim of better understanding of mutual needs between the buyers (Thai military and police force) and sellers (manufacturer or supplier, which would speed up the entire process, would be to acquire more business deals in direct negotiations, which can be supported through suppliers arranging visits, presentations, taking part in exhibitions, etc, all this with the strong support from the local distributors.

#### **6.4 Limitation and Direction for Further Study**

This study faced certain limitations including the limited number of respondents as the study focused on collecting information from only one company's world wide suppliers of firearms and ammunitions. For the testing purpose, with very few respondents, a slight variation in opinion would cause variation in the entire result, further the finding can also not be generalized for all suppliers of firearms and ammunition. In addition, collecting data from suppliers throughout the world also cannot serve as a generalization, because for certain variables, opinion of respondents from different countries would vary since different law and regulation exist for each country.

With the limitation of this study in mind and benefiting from the results observed, which is the identification of the overall correlated factors of export barrier in exporting firearms and ammunitions to the Thai military and Police force, suggestion for future study would be to conduct a research focusing on any of the identified barriers to get a clearer and deeper understanding of the extent and impact of the barrier on export trade.

Similarly, further study could also focus on the problems or barriers faced by a particular country, since with different laws and regulation the result may also be different.

Another interesting alternative would be to conduct similar study but for a different product category within the defense industry. Studies can also be conducted to compare the barriers faced in exporting a certain category of defense product with another category; or comparing and contrasting the barriers faced in exporting certain category of defense product to Thailand with that faced in exporting the same products to a neighboring country such as Singapore or Malaysia.

Other than carrying out studies in the supplier's point of view, research can also be conducted to identify problems or barrier faced by the local distributor. Focus can also be on the defense industry itself and study should be carried out to determine the impact of a



certain issue such as Terrorism, which is receiving immense interest today, on the global or national defense industry. Such issue is a concern by many including the UN, who developed the 13 conventions about terrorism, including the most recent one on nuclear terrorism, now the major concern in the defense industry.

An interesting study would also be to determine Thailand's contribution in the 13 convention of the UN against terrorism, since fight against terrorism is required to be a collective effort by all countries and also pressure to ratify all convention is now very big.



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## Appendix A

### INSTRUCTIONS TO BIDDERS

**1. SOURCE OF FUNDS.** The Kingdom of Thailand has received a loan (credit) from \_\_\_\_\_ in \_\_\_\_\_ (country) \_\_\_\_\_ towards the cost of this project and intends to apply the proceeds of this loan (credit) to eligible payments under the contract for which this invitation to bid is issued. Payment by the \_\_\_\_\_ (Loan Source) \_\_\_\_\_ will be made only at the request of the Royal Thai Government and upon approval by the \_\_\_\_\_ (Loan Source) \_\_\_\_\_ in accordance with the terms and conditions of the loan (credit) agreement and will be subject in all respects to the terms and conditions of the said loan (credit) agreement.

**2. LIST OF BID DOCUMENTS.** The Bid Documents consist of the followings

- a) Invitation to Bid;
- b) Instructions to Bidders;
- c) Special Conditions of Bid (if any);
- d) Bid Form;
- e) Contract Form;
- f) Conditions of Contract;
- g) Schedule of Requirements;
- h) Pro forma for Bid Security;
- i) Pro forma for Performance Security;
- j) Pro forma for Advance Payment Security (if any);
- k) Special Provisions of the Source of Fund (if any);
- l) Specifications and Drawings;

Any amendment to the Bid Documents initiated by the Department or arising out of a clarification requested by a prospective bidder, shall be circulated to all those who purchase the Bid Documents. At the sole discretion of the Department, the bid closing date shall be suitably extended, if considered warranted.

**3. QUALIFICATIONS OF BIDDERS.** This invitation to bid is open to all manufacturers and dealers in member countries of \_\_\_\_\_ . However, the bidder may be the authorized representative of such manufacturer or dealer. In such case, his bid shall be accompanied by a certificate of authority authorizing him to submit the bid. To be qualified, bidders must professionally be in the business of selling the goods to be purchased in the said countries and must certify that they are without a special privilege of immunity with which to refuse being taken to court, or if they have such privilege or immunity certify that such privilege or immunity has been waived.

**4. SOURCE AND ORIGIN OF THE GOODS.** The goods to be furnished shall originate in the eligible countries of the \_\_\_\_\_

**5. LANGUAGE OF THE BID.** The bid as well as all accompanying documents shall be in English. In case any accompanying printed literature is in another language, it shall be accompanied by a translation in English.

**6. VALIDITY OF THE BIDS.** The bids shall be valid for a period of \_\_\_\_\_ days. (\_\_\_\_\_) (in words) \_\_\_\_\_ counted from the date of public bid opening.

**7. DOCUMENTS TO BE SUBMITTED ALONG WITH THE BIDS.** The following documents shall be submitted along with the bid and shall form part of the bid:

- a) Bid submitted in the form annexed to this Instructions to Bidders;
- b) Bid security;
- c) Technical specifications of the goods, equipment offered, along with all supporting literature;
- d) A clause-by-clause commentary on the technical specifications attached to the Bid Documents;
- e) Evidence of past performance, production capacity and financial ability to establish the qualifications and responsibilities of the bidders to perform the contract as offered;
- f) Evidence which bidders must present in connection with their



qualifications under Clause 3 of these Instructions to Bidders and evidence which certifies the bidders authorized signatures;

**8. BID SECURITY.** Each Bidder shall furnish a bid security for an amount of ( \_\_\_\_\_ (in words) \_\_\_\_\_ ) which shall be in any one of the following forms;

- a) Cash;
- b) Cahier's cheque payable to the government agency inviting the bid;
- c) A bank guarantee issued by a local bank or a reliable overseas bank acceptable to the Department in convertible currency in the form attached;
- d) Thai government bonds, or
- e) A bank guarantee issued by a finance company authorized by the Bank of Thailand to conduct finance and suretyship business. The name of such finance company must be listed and circulated among government agencies.

**9. PROCEDURE FOR SUBMISSION OF BID.** The bid shall be submitted in one original together with \_\_\_\_\_ duplicates. It shall be addressed to

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

and be submitted either by registered mail or delivered by hand before 10.00 a.m. local time on \_\_\_\_\_ (date) at the above mentioned address.

The bid shall be submitted in a sealed envelope. The envelope must show on the outside the name and address of bidder. In addition the lower left corner of the envelope shall indicate the bid number and the bid opening date. A bid which gets opened due to the absence of such indication prior to the bid closing may be disqualified. The bid itself shall be signed by a person duly authorized to bind the bidder. He shall submit requisite power of attorney indicating such authority. Any correction, erasure or overwriting in the bid submitted shall be duly initiated by the

person who has signed the bid. Bids received by the Department in due time shall not be modified or withdrawn.

**10. BID OPENING.** The bids shall be publicly opened and the bid prices read aloud, in the presence of the bidders or their representative at \_\_\_\_\_ hours on \_\_\_\_\_ at the following address:

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Bids received after the time stipulated in the invitation will be returned unopened.

**11. CURRENCIES OF BID.** Prices shall be quoted in the following currencies:

- a) For goods and services which bidders will supply from within Thailand; the prices shall be quoted in Baht; and
- b) For goods and services which the bidders will supply from outside Thailand, the prices shall be quoted either in bidder's home currency or in US Dollars or in Baht

**12. PRICE.** Prices quoted in the bid shall remain fixed during the execution of the contract and not be subject to adjustment or escalation on any account.

**13. CLARIFICATION.** In the evaluation and examination of bids, the Department may seek clarification from the bidders. However, bidders should only provide the clarification asked for and shall not in any way cause any change in the substance of the bid or in the price quoted.

**14. EVALUATION AND COMPARISON OF BIDS.**

- a) **CONVERSION OF BID PRICES TO SINGLE CURRENCY.** For the purpose of comparison, the bid prices stated in various currencies shall be converted to Thai Baht at the exchange rate (selling rate) established by the Bank of Thailand on the date of bid opening.

b) EVALUATION CRITERIA. In the evaluation of bids the Department shall consider the following factors in addition to the bid price and cost of inland transportation and delivery schedule, viz, the price of spare parts compliance with the bid specifications, the quality and adaptability of the equipment or services, the operating and maintenance costs, the time of delivery, deviations in payment terms which is considered acceptable, ability to furnish service and maintenance parts, technical and financial capacity to perform the contract, etc. The method of evaluation shall be as explained below.

c) METHOD OF EVALUATION.

i) DELIVERY. The schedule of requirements indicates the delivery which is required for the goods covered in this bid invitation. Any bidder who offers a delivery schedule which is \_\_\_\_\_ (modify as appropriate) \_\_\_\_\_ months beyond the delivery indicated in the schedule of requirements shall be considered unresponsive. Within this period, the delivery offered by bidder shall be evaluated by \_\_\_\_\_ % per month as the benefit for early delivery.

ii) DEVIATIONS IN PAYMENT TERMS. If a bidder has a minor deviation in payment terms and if such deviation is considered acceptable to the Department, the bid shall be evaluated by applying a \_\_\_\_\_ % interest rate earned for any earlier payments he will receive in comparison with other bids.

iii) INLAND TRANSPORT, etc. Where inland transportation, insurance and other handling costs are not separately specified in the Bid Form, these costs will be estimated by the Department and added to the bid.

iv) MERIT POINT SYSTEM. The Department shall apply a point system for evaluating the bids as follows:

(a) Evaluated price	_____
(b) Technical merits	_____
(c) Service and spare parts	_____
(d) Others	_____
Total	100

d) Domestic Preference Applicable Under the Loan Procedures. After evaluation, responsive bids will be classified in one of the following groups:

i) Group A: Bids offering domestic goods if the bidder shall have established to the satisfaction of the Department and the loan source that the manufacturing cost of such goods includes domestic value added equal to at least \_\_\_\_\_ % of the ex-factory bid priced of such goods;

ii) Group B: All other domestic bids;

iii) Group C: Foreign bids offering goods on import;

All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group shall then be compared with each other and if, as a result of this comparison, a bid from Group A or Group B is the lowest, it shall be selected for award.

If, as a result of the comparison described under the proceeding paragraph, the lowest bid is a bid from Group C, all Group C bids shall be further compared with the lowest evaluated bid from Group A after adding to the evaluated bid price of the imported goods offered in each Group C bid, for the purpose of this further comparison only, an amount equal to:

i) The amount of customs duties and other import taxes which a non-exempt

importer would have to pay the importation of the goods offered in each group C bid; or

ii) 15% of the CIF bid price of such good if the customs duties and taxes exceed 15% of the CIF price of such goods;

If the Group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the lowest evaluated bid from Group C shall be selected.

e) POST QUALIFICATION. Only a bidder who is considered technically and financially capable of carrying out the contract, as offered, and of complying with qualification under Clause 3 of these Instructions to Bidders will be selected for award. If a bidder does not meet this test, his bid will be rejected. This

determination will be done on the basis of information furnished by the bidder in his bid.

**15. NOTIFICATION OF AWARD.** The successful bidder shall be notified by telex or by letter that his bid has been accepted. If, after receipt of such notification, he fails to complete those two formalities stated in Clause 16 and 17 of these Instructions to Bidders within stipulated time or such additional time as may be given by the Department, his bid security shall be forfeited. The Department also reserves the right to add to the list of defaulting parties any bidder who fails to enter into contract.

**16. PERFORMANCE SECURITY.** At the time of execution of the contract, the successful bidder shall furnish a performance security equal to \_\_\_\_\_% of the contract value (in the currency of the contract) in any of the following manners:

- a) Cash;
- b) Cahier's cheque payable;
- c) A bank guarantee issued by a local bank in the form attached;
- d) Thai government bonds;

The performance security shall cover his obligations to fulfill the terms

and conditions of the contract including warranty of the goods supplied under the contract.

**17. FORMAL CONTRACT.** The successful bidder shall sign the formal contract in the form attached within \_\_\_\_\_ days after his receipt of notification of award. The formal contract shall incorporate all agreements between the parties.

**18. LOCAL AGENTS.** The successful bidder shall be required to appoint a local agent to provide service and spare parts if relevant to the contract, or to provide other services, included in the contract, or to act as his agent for all communication between the parties to the contract.



**19. SHIPPING INSTRUCTIONS** (Deleted if contrary to the guidelines of the loan source)

Whenever (name of government units or state enterprise) has selected any bidder to be a seller and agreed to buy goods notified for bidding, an the bidder who is the seller has to order or import such goods from abroad which are to be carried by sea on the route where Thai vessels are in carriage service and their space are available according to Notification issued by the Minister of Transport and Communication, the seller must comply with the requirements provided in the Thai Mercantile Marine Promotion Act by:

a) Notifying the Office of Mercantile Marine Promotion Commission of such order or importation of the purchased goods with seven days from the date of the order or importation, unless the goods are exempted by the Notification of Minister of Transport and Communications, to be carried by non-Thai vessels;

b) Making arrangements for the shipment of such purchased goods to Thailand by Thai vessels or vessels which enjoy the rights similar to Thai vessels, unless permission has been obtained from the Office of Mercantile Marine Promotion Commission that such goods can be carried by non-Thai vessels. Such permission must be obtained before the goods are carried by non-Thai vessels or they are goods which, according to the Notification of Minister of Transport and Communication, may be carried by non-Thai vessels.

c) In case non-compliance with (1) (2), the seller must be liable in accordance with the provisions of the Thai Mercantile Marine Promotion Act;

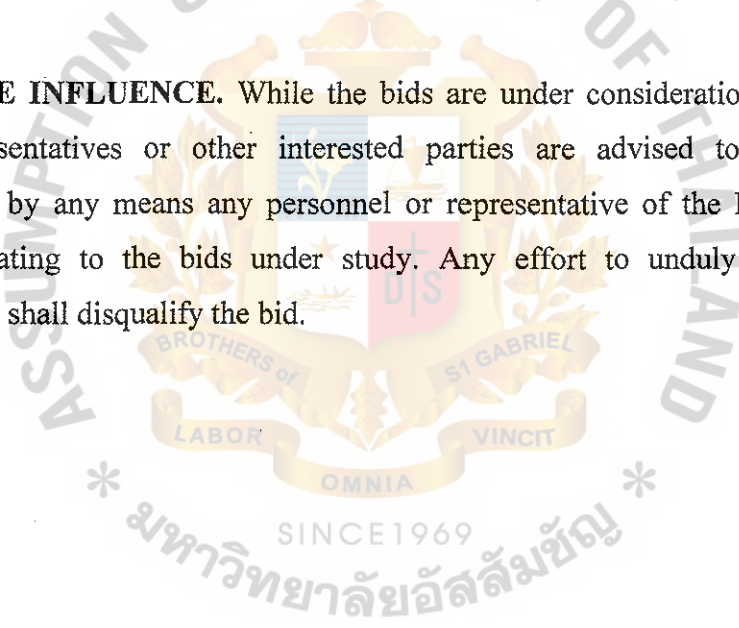
**20. INSURANCE.** All goods covered under the contract shall be fully insured for 110% of the CIF value of the goods on "all risks" basis including war risk and S.R.C.C. (Strike, Riot and Civil Commotion). The insurance shall be arranged by the supplier and the beneficiary shall be the Department, The said insurance policy shall cover up to the designated place stipulated in the contract.

**21. QUANTITIES TO BE ORDERED.** The Department reserves the right to increase or decrease the quantity by plus or minus 10%, which shall not entitle the successful bidder to any change in unit price. If the Change in quantity is outside these limits, the Department and the successful bidder shall negotiate a suitable modification to the price.

**22. COST OF BID PREPARATION AND SUBMISSION.** Each bidder shall be entirely responsible and shall bear all costs associated with the preparation and submission of the bid, and the Department shall have no responsibility or liability in this respect irrespective of whether the bid is awarded or cancelled or awarded to a bidder of the Departments choice.

**23. RIGHT TO ACCEPT OF REJECT AND OR ALL BIDS.** The Department reserves the right to waive minor informalities in any bid and to reject any or all the bids and to accept the lowest or any other bid which he considers to be in the best interest of the Department. The Department shall not be liable to any claim regarding such waiver or rejection or any procedure of the evaluation of the bidding and shall not be bound to give any reasons for his decision to any bidder.

**24. UNDUE INFLUENCE.** While the bids are under consideration, bidders and their representatives or other interested parties are advised to refrain from contracting by any means any personnel or representative of the Department on matters relating to the bids under study. Any effort to unduly influence the Department shall disqualify the bid.



## **Appendix B**

### **The Ordnance Department, Royal Thai Army**

#### **Instructions to Bidders**

#### **Item Required: Cartridge, 40 MM High Explosive**

The Ordnance Department, Royal Thai Army wish to purchase 12,727 (twelve thousand seven hundred and twenty seven) rounds of Cartridge, 40 MM High Explosive. The offered items must be immediately operational and shall be in accordance and stipulation as follow.-

#### **1. Documents enclosed**

Ordnance Materiel Specification No. 4870

- Stock No.1310 – 35 – 167 – 0004 – B575	2 (two)	pages
1.2 Bid Form (Price Offered Sheet)	3 (three)	pages
1.3 Contract From (Thai Version)	11 (eleven)	pages
1.4 From of Letter of guarantee (Thai Version)		
1.4.1 Letter of contract guarantee (Performance Security)	2 (two)	pages

#### **2. Bidder's criteria**

2.1 The bidder must be a manufacturer or authorized representative of such manufacturer.

2.2 The bidder must not been blacklisted as a firm or individual that have/has abandoned official work before nor, in accordance to official regulations, has/have been registered such title.

2.3 The bidder must not be a registered firm or an individual entitled to diplomatic immunization and must certify that they are without any special privileges or immunity which could deny. Thai courts jurisdiction, or if they have such privilege or immunity this would not apply if such title has been denounced.

### **3. Documents to be submitted with the bid**

Together with the bid the following documents must be submitted on the price offering date.

3.1 A copy of the firm/company's manufacture license or a letter issued by concerned reliable agency/agencies of the manufacturer's country certifying the registration of the manufacture.

3.2 A copy of the firm/company's commercial license.

3.3 In case the firm /company's manufacture license or commercial license are not available a letter issued by the concerned reliable agency/agencies of the manufacturer's country certifying the existence of the bidder's factory and capability to supply the required item must be submitted.

3.4 In case the bidder is/are the manufacturer's representative/representatives, a copy of letter certifying the appointment of the representative/representatives (issued from the manufacture) have to be submitted.

3.5 List of the firm/company/partnership members or committee who are authorized to sign on behave of the firm or company in order to conduct legal acts or to use the company's sealed (If have any)

3.6 Catalogues and or drawing or photograph of detail/list of the Item's Specifications per Article 4.4

3.7 In case the bidder sends his representative to sign the Price offered sheet the representative must provide an authorization letter appointing him to sign the Price offered sheet.

3.8 Any document made in the bidder's country that the bidder (or seller/employee/contractor in case the bidder is awarded to be the seller/employee/contractor) uses for bidding, making the contract, amending the contract, extending the time schedule of the contract, cancel or reduce the penalty or any action involving official procedures/protocols (purchasing/ employing/ other contractual issue) must be signed by the person legally appointed from the concerned authority and must be certified, in order, by the respective authorities as per Article 3.8.1 – 3.8.2.

The document mentioned above will only be correct ones by certifying is cases as follow.

3.8.1 Certified by the authority from the Ministry of Foreign Affairs or Notary Public of the country in which the document is/ are made or certified by other concern agency in accordance to the law of the country in which the document is/are made then Certified by the authority from the Royal Thai Embassy or the Royal Thai Consulate that are located in the country in which the document are made and then certified by the authority of the Ministry of Foreign Affairs of Thailand.

3.8.2 Certified by the authority from the Royal Thai Embassy or the Royal Thai Consulate which are located in the country in which the document are made and then certified by the authority of the Ministry of Foreign Affairs of Thailand. (In case the person who is authorized to sign the document brings them to the Royal Thai Embassy or the Royal Thai Consulate that are located in the country in which the document are made and signs them before the authority of the Royal Thai Embassy or the Royal Thai Consulate there)

3.8.3 Certified by the authority from the Ministry of Foreign Affairs or Notary Public of the country in which the document is/are made or other concern agency in accordance to the law of the country in which the document is/are made then send the documents to be certified by the authority from the Embassy or Consulate of the country in which the document is/are made that are located in Thailand and then certified by the authority of the Ministry of Foreign Affairs of Thailand. (In case there are no Royal Thai Embassy or Royal Thai Consulate located in the country in which the document is/are made)

3.8.4 Certified by the authority from the Embassy or Consulate of the country in which the document is/are made, which are located in the Thailand and then certified by the authority of the Ministry of Foreign Affairs of Thailand. (In case the person who is authorized to sign the document brings them to the Embassy or Consulate of the country in which the document is/are made that are located in the Thailand and signs them before the authority of the Embassy or Consulate of the country in which the document is/are made which are located in the Thailand)

3.9 The document in other foreign language must be translated into Thai by a translation expert registered with the Thai Ministry of Justice. If there is any problem in the interpretation of the document in Thai and the original document, the Thai version



shall prevail. If the authorities inquire any problem in the interpretation that are unfair to other bidder. The Ordnance Department, RTA shall consider that bidder contain condition differ from the official conditions and, may, will not consider the price quotations.

#### **4. Price Offering**

4.1 The bidder must offer the quotations price in complete and correct wording following every column, without any condition of the Price offered sheet in typing and sign by the bidder. The price in particular must be listed in both numeral and alphabet without any erasing or such marks what so ever. If any type of correction occurred it must be signed by the bidder and stamped (if there is any seal stamping).

4.2 Price must be offered in a stable and reliable foreign currency. The price offered must include each Item's unit price/each item's total price/ and the total price of the whole quotation in order following the official form of the price offering provided by the Ordnance Department, RTA. The total price, in particular must be the same price in both numeral and alphabet form. In case of discrepancies, the alphabetic price shall prevail.

The price offered must include the total CIF price until the 12,727 (twelve thousand seven hundred and twenty seven) rounds of cartridges are delivered to the final destination at the Ammunition Depot Division, Ordnance Department, Khao Pra Ngam, Lopburi province or in the vicinity within 200 km around Bangkok excluding customs duties which the Ordnance Department RTA shall be liable of such exemption and VAT exempted.

For each line item the bidder shall offer only one brand of the manufacturer from a particular country.

The price offered must be valid for the minimum of 90 (ninety) days counting from the bid opening date. The bidder must be responsible and must not withdraw the offered price.

4.3 The bidder must deliver all offered items on this bid within 120 days (one hundred and twenty) from the day following the contract signing date.

4.4 The bidder must attach his/her bid with the catalogues or drawing or material specification of the cartridge with the price offering sheet to be considered by the committee. All documents shall become the Ordnance Department's properties.

If the catalogues or drawing or material specification is copies, it must be certify by concerned reliable agency and if the committee needs to see the genuine documents, the bidder must show the documents within 3 (three) days.

4.5 In case the manufacture or the manufacturer's sale agent had sold the mentioned cartridge to the RTA before, the bidder must submit the copy of the contract of selling the 40 MM High Explosive Cartridges in according to the concerned RTA official Specification. The document/documents have to be certified by concerned legal authorized agency/agencies. Also other evidence/document which shows that the manufacturer or the manufacturer's sale agent had sold the mentioned cartridge to other Thai Armed forces such as the Royal Thai Navy or The Royal Thai Air Force could be presented as well. These evidences/documents must also be certified from the mentioned legal authorized agency/agencies.

4.6 In case the manufacturer or the manufacturer's sale agent have never sold the mentioned cartridge (in according to the concerned RTA official Specification) to the RTA or other Thai Armed forces before, the bidder have to submit a letter from the Government (Ministry of Defense) of the manufacturer's country guaranteeing the manufacturer's product (in according to clause 4.5) which has been sold to any other country/countries or a letter guaranteeing the manufacturer's product from the Government (Ministry of Defense) of the country/countries the product have been sold to.

4.7 Prior to bidding the bidder should verify, examine and understand all the detail in the contract, the ordnance material specification and document etc. on this invitation.

4.8 The bidder must submit their Price offered sheet in a close sealed envelope, write in front of envelope addressing "to The Special Procurement Committee" and "Price offered sheet for bid Cartridge, 40 MM High Explosive". And will be submitted to the Special Procurement Committee at the reception room, Procurement Division, Ordnance Department, RTA on 23 August, 2005 during 09.00 – 10.00 hours.

When the above time is over, the committee will not receipt the bid.

## **5. Price Consideration and preservation of Rights**

5.1 The Ordnance Department, RTA will consider the total price.

5.2 If the bidder who meets the qualification in Article 2 des not submits the correct and complete bidding document as in Article 3 and does not submit the correct price offering sheet as in Article 4. The Special Procurement Committee shall reject and not consider the price quotation quoted by the bidder or which contains different from the official condition. The only exception is that such condition is considered beneficial to the Ordnance Department, RTA.

5.3 The Ordnance Department, RTA reserves the right not to consider the price quotations quoted by the bidder in case as follows.

5.3.1 Not the firm officially invited the Ordnance Department RTA for the bidding.

5.3.2 Does not make the bidder's signature or both on the price offering sheet.

5.3.3 Submit documents which are different from the official conditions in this instructor to bidders in the essential items or are unfair to the other bidder.

5.4 In the case of price consideration or contract arrangement. The Special Procurement Committee or the Ordnance Department, RTA reserves the right to have the bidder explains any fact, condition and status which the concerns the bidder. The Ordnance Department, RTA reserve the right to reject and not consider the price quoted by the bidder or may not arrange such contract if the so call documents are not reliable.

5.5 The Ordnance Department, RTA reserves the right not to purchase from the bidder who offers the lowest price or any other price and reserves the right of choosing to purchase from any quantity or capacity or any items or cancel the bidding with no obligation due to any condition which considered beneficial to the Ordnance Department, RTA. The decision of the Ordnance Department, RTA is absolute and the bidder can not call for any compensation which include the case that the Ordnance Department, RTA cancels the purchasing and will consider the bidder as an abandon working one if there

are reasons to believe that the bidding is dishonest, fault price offering or use the others bidder's firm bidding.

## **6. Contract Arrangement**

6.1 The bidder who is awarded will have to sign the contract as in Article 1.3 with in 7 (seven) days since noticed.

6.2 Prior to the signing of the contract the seller is authorized to examine the draft of the contract at the Procurement Division, Ordnance Department, RTA

6.3 In case the seller sends his representative to sign the contract on her behalf, the seller must issue a letter authorizing the person to do so. The letter must be certified as item 3.5

6.4 The contract between the seller and the buyer shall be made in Thai and English.

## **7. End User Certificate**

In Case the seller requires, from the buyer, an End User Certificate and sign the DSP - 83 from for purchasing items which are originated in U.S.A.. The seller must submit the requirement through the U.S. Embassy in Bangkok, then document the U.S. Embassy will send the document to the Thai Ministry of Foreign Affairs, then Ministry of Foreign Affairs will send them to the Ministry of Defense. The Ministry of the Defense, after consideration will reply back to the Ministry of Foreign Affairs and back to the U.S. Embassy. The document will be mainly in U.S. formation.

Requirement for the Statement by Ultimate Consignee and Purchaser, if the seller require, the seller have to submit the requisition in written document, directly, to the buyer for signing the mentioned document, exempting the procedure in article 7 paragraph 1.

In case the seller requires, from the buyer, an End User Certificate for purchasing items, which are originated in all other countries except the U.S.A., the seller

may submit the requirement directly to the seller without following the procedure in paragraph 1.

The seller must submit the request for the document in paragraph 1 and 2 or the document for signing the Statement by Ultimate Consignee and Purchaser in paragraph 2 within 30 (thirty) days from the Signing Date. If the Seller fails to send the document within the mentioned time, the seller cannot raise this excuse to request for any expansion or waiving or reduction of penalty fee.

## **8. Term of payment**

The buyer shall open a letter of credit for the amount of 100 (one hundred) percent of the whole contract price credit within 60 (sixty) day and divide the payment in to 2 (two) installment as follows:

8.1 The first installment will equal 90 (ninety) of the whole contract price, shall be paid to the seller when the buyer receive the seller's shipping documents the Inspection and Verification procedure conducted by the committee as per Article 12.1 has been done.

8.2 The second installment which equal 10 (ten) percent of the whole contract price shall be paid to the seller when the buyer's receiving committee in Thailand has except the items and the buyer issued the payment order to the Thai Military Bank Public Company Limited.

To comply with Thai law, the buyer shall withhold tax at the rate of 1 (one) percent from the amount due on each installment. However, this shall not apply if there is an exception set forth any law or international agreement on taxation.



## **9. Performance Bond**

The seller must provide a performance security; which shall be in any one of the following.

1 Cash

2 Cashier's cheque written for payable to "The Royal Thai Army by The Ordnance Department RTA". The Cheque must be signed on the contract signing day or before not over 3 working days ahead.

3 Bank guarantee issued by a local bank or reliable overseas bank acceptable to the Department which mentioned that "The Royal Thai Army by The Ordnance Department RTA". In convertible currency in the form attached.

4 Bank guarantee issued by a finance company authorized the Bangkok of Thailand to conduct finance and surety ship business. The name of such finance company must be listed and circulated among government agencies.

5 Thai Government Bond.

9.1 A Performance security against the seller obligation at the rate of 10 percent of the whole contract price. This letter shall be provided on the contract signing date, and returned without interest when the seller is relieved from all of the obligations under the contract.

9.2 A performance security against receipt of payment under LC in Article 8.1. This letter shall be provided at time of submission the goods shipping document.

A performance security in Article 9.2 will be returned without interest within 15 (fifteen) days when the goods have been accepted by the buyer's receiving committee in Thailand.

## **10. Penalty and Termination of Contract**

10.1 Upon the delivery due date, if the seller does not deliver the items under the contract can only make a partial delivery, or the delivered goods are not accepted the buyer may impose penalty on the penalty rate of 0.20 (zero point two zero) percent of the total undelivered price. This penalty shall begin on the date right after the due date until the delivery is properly and completely made.

10.2 In delivering the Supplementary Equipment, in accordance to the seller's offer, which has been offered to the buyer free of charge, if in case the seller fail to deliver the mentioned equipment, the buyer shall charge the seller up to 50% (fifty percent) of the amount of each equipment or service in which the seller fails to deliver.

10.3 If the purchased items in Article 10.1 come in set and the set is not completed. i.e., any component or part is missing making the whole set not perfectly serviceable, the penalty computation shall be based on the price of complete set. In this case it shall be regarded as the seller has not at all made any delivery of the whole item/items.

10.4 If the buyer has not yet terminated the contract and considers that the seller is unable to continue his/her performance of the contract, the buyer may choose to exercise the right of contract termination. The buyer will confiscate the security bond or claim the bank issuing the performance security as said in Article 10 for the whole amount or partially as deemed appropriate. And if the buyer had to purchase the same items from other sources in whole quantity or partially to cover th undelivered portion within 6 (six) months from termination date, the seller must be responsible to m=compensate for the increasing price over the price specified in the contract and the buyer saves the right to penalize the seller until the day of contract termination

In addition if the buyer notifies the seller to pay the liquidated damage, the buyer shall also be entitled to the liquidated damages up to the date of the contract termination. In this case the buyer save the right to penalty the seller by deducting from the cost goods remaining unpaid to the seller after the buyer already accepted the items.

## **11. Warranty**

The awarded bidder must warrant that if the purchased items become damaged or inoperable within 5 (five) years after delivery and the Ordinance Department, RTA, He/She shall replace such items with the operational ones or have all damages and defects corrected within 90 (ninety) days since the notification provided.

## **12. Inspection**

12.1 The seller must agree to allow inspection committee of 3 (three) appointed officers to inspect and verify the goods at the seller's factory/place before shipment. The committee will verify the firm line of produce, the quality of the item/items as well as the quantity of the item/items as said in the commercial invoice. Also the committee has the right to reject the said goods, if considers not in full compliance with the requirement under the contract. All expenses involved shall be borne by the seller.

12.2 Quality tests shall be conducted in Thailand. All expenses involved including damage compensation – fee for properties and/or personnel, if any, shall be responsible by the seller.

12.3 The first inspection shall be conducted at the manufacturer's country and the final receiving inspection of the items under the contract shall be conducted in Thailand by the buyer-appointed committee at the place of delivery.

## **13. Others Reservation of Rights.**

13.1 The budget for buy this item is from 2005<sup>th</sup> budget year. The Ordinance Department, RTA reserves the right to award the contract to the bidder only when the official purchase has been approved and the fund allotted are available.

13.2 When the Ordinance Department, RTA has awarded the bidder and the contract is signed, if the Items have to be import and shipped to the buyer by the ocean vessel, the shipment must be made in Thai flag vessel or other eligible vessel operation on the route and capable of rendering transport services as regulated by the Ministry of Transportation. The bidder must be process as required by the Mercantile Maritime Promotion Law.

(1) The Mercantile Maritime Promotion office must be Advised within 7 (seven) days since the importing item will be process. Except the item that the Ministry of Transportation's exemption to be shipped with other vessel.

(2) Organizes the shipping of the item by Thai flag vessels or other vessel operating on the route, Except the Mercantile Maritime Promotion office authorizing will

happen before shipment on other vessel or the item is the Ministry of transportation exempt to be shipped with other vessel.

(3) In case the process in article (1) and (2) is not followed, the Mercantile Maritime Promotion Law will be enforce on the bidder.

13.3 If the bidder who's awarded by the Ordnance Department, RTA does not sign the contract on the time as Article 6, the Ordnance Department, RTA will consider to ask for compensation (if there is any) and may also consider to act the official regulations to blacklist the bidder, as a firm or individual, of abandoning official work.

13.4 The Ordnance Department, RTA reserves the right to amend the invitation, contract draft in accordance to the Attorney General's advice.

13.5 In delivery of the item's the seller must make or put up signs or name plates that show the seller's name and contract number on every item (if the package is small put it on the package) the seller have to notice the delivery schedule to the Ordnance Department, RTA at less 5 (five) official work days before the item arrive to Thailand.

### Notice

1. This is made in both English and Thai with are the same meaning. If there are any problems in the interpretation of the official bid's condition and specification, the Ordnance Department, RTA reserved the right of using the Thai version for making decision.

2. For comparison purpose, the bid prices stated in various currencies shall be converted to Thai Baht using the exchange rate (selling rate) established by the bank of Thailand on the bid opening day

## Appendix C

### CONDITIONS OF CONTRACT

#### 1. Definitions

In the Contract, words indicating the singular may also include the plural and vice versa as the context requires, and the following words and expression shall have the meanings assigned to hereunder except as the context requires otherwise:

- i) “the buyer” means the Department of \_\_\_\_\_  
Ministry of \_\_\_\_\_, Kingdom of Thailand, which  
has invited bids for the supply and delivery of  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- ii) “the Seller” means the person or persons, partnership or company  
whose bid has been accepted by the Buyer and agrees to supply and  
deliver goods to the Buyer.
- iii) “the Contract” means the Contract and all other documents specified  
therein as in forming integral part of the Contract.
- iv) “the contract price” means the total price stated in clause 2 of the  
contract.
- v) “the Goods” means all of the equipment and/or materials to be  
purchased as stated in sub-paragraph (i) above.
- vi) “the Specifications” comprise the Buyer specifications and the  
manufacturer’s descriptive literature and technical specifications.
- vii) “Days” means consecutive calendar days unless otherwise specified.

#### 2. Origins of Goods

The Seller shall provide the Buyer with a manufacturer’s certificate of origin for all Goods to be delivered under the Contract stating the country or countries where the Goods and their principal components are manufactured and the manufacturer’s



name and address. Only Goods manufactured in member countries of \_\_\_\_\_ shall be accepted by the Buyer.

### **3. Guarantee of Quality of Goods**

The Seller guarantees that the Goods sold under the Contract are of a quality not below that as stipulated in the Specifications and must be brand new, never been put to use except for testing.

In case of the purchase of Goods which will have to be subject to tests, the Seller guarantees that the tests will prove that the quality is not below that as stipulated in \_\_\_\_\_

### **4. Patents**

The Seller shall save harmless and indemnify the Buyer, its officers, agents and employees from liability of any kind resulting from the use of any patented or unpatented inventions, article, devices, appliances, manufacturing processes, etc. in the implementation of this Contract including their being used by or being at the disposal of the Buyer.

### **5. Taxes, Duties, etc. Payable in Countries Other Than Thailand**

Any export taxes, duties, fees or other charges of whatsoever nature which shall be payable in countries other than Thailand for Goods which are to be imported into Thailand under the Contract shall be entirely the responsibility of the Seller.

### **6. Clearance of Goods from Port of Entry (option)**

The Seller shall be solely responsible for clearing Goods being imported into Thailand under this Contract from the port of entry and shall take the Goods into safe custody at \_\_\_\_\_

### **7. Certificate of Inspection (option)**

Before shipment, the Seller shall see that the Goods to be delivered under the Contract are inspected and found correct in accordance with specifications and the Seller shall obtain an inspection certificate from the nominated inspector or his own inspection department showing that the said Goods are in accordance with the

requirements of the Contract, are not defective, due to materials used, the workmanship or design involved.

### **8. Import Duties, Fees, and other Expenses, Taxes Payable in Thailand (option)**

The Seller shall pay all import duties, taxes, fees and other expenses incurred in Thailand in supplying the Goods under the Contract.

### **9. Delivery of Goods**

9.1 All Goods to be supplied under this Contract shall be delivered, at the Seller's expenses \_\_\_\_\_ during normal working hours within \_\_\_\_\_ days counted from the date of execution of this Contract.

9.2 The Seller shall arrange to have clear markings on each package as required by the Buyer with weight, width, length and height of each package on the sides thereof, and shall see that the Goods are packed securely enough to prevent deterioration, knocking about or causing any damage from transportation or weather conditions while the Goods are in transit, for which the Seller shall be solely responsible until Goods arrive at the destination under the Contract.

9.3 The Seller undertakes to notify the Buyer in writing about the date of shipment, the description of Goods, the name of the ship, the date of the ship's departure together with other papers hereinafter mentioned, or to furnish a copy thereof to the Buyer by registered airmail at least \_\_\_\_\_ days before the arrival of the ship at the wharf.

- (1) Invoice in \_\_\_\_\_ copy (copies)
- (2) Bill of Lading in \_\_\_\_\_ copy (copies)
- (3) Packing List in \_\_\_\_\_ copy (copies)
- (4) Inspection Certificate or Certificate of Manufacture (If any)
- (5) Insurance Policy
- (6) Certificate of Origin in \_\_\_\_\_ copy (copies)
- (7) Operator's Handbook, Parts Manual, Service and Repair Manual in \_\_\_\_\_ copy (copies)
- (8) Other Documents Required by the Loan Source,

Besides the Seller shall furnish he documents necessary from abroad to the Buyer for use in customs clearance formalities and the invoice shall show unit prices and itemized prices with weight and others in detail according to customs clearance formalities. Should such furnishing not completely be done, or if it is not possible to furnish within the stipulated time to the extent that damage is suffered by the Buyer for any reason whatsoever, the Seller shall be responsible for the damages.

9.4 Delivery of the Goods under the Contract, whether individually, severally or in part, shall be notified by the Seller for each delivery not less than \_\_\_\_\_ working days before the date of delivery.

## **10. Inspection and Acceptance of Goods**

The buyer will appoint an Inspection Committee to inspect the Goods delivered under the Contract at the place to be specified by the Buyer. The Seller will be notified by not less than 15 days in advance as to the date and place of instruction or any acceptance tests so that he or his representative will be able to be present at such time.

If the inspection Committee is satisfied that the Goods are correct and in full compliance with the Contract, the Certificate of Acceptance will be issued to the Seller, But if not correct or not in full compliance with the requirements under the Contract for any reason, the Seller agrees to allow the Buyer to have the sole right to reject the whole or part of the Goods found defective or non-conforming to Specifications, and in such case it shall be considered that the Seller has not delivered the Goods., If the Buyers orders the Seller to correct or replace the Goods, the Seller shall make correction or replacement of the Goods within \_\_\_\_\_ days from the date of the Buyer's notice at no cost to the Buyer. The time wasted due to the said cause shall not be taken by the Seller as an excuse for extension of time in the Contract.

In purchasing the Goods assembled in one set, if the shortage of any part making it impossible for the goods to be used wholly as the assembled set, it shall be deemed that the Goods have never been delivered, for which penalty shall be imposed in full on the cost of the whole set.

The Seller shall be responsible for al costs incurred in starting up and test runs of the Goods as required by the Inspection Committee.

## **11. Insurance**

The Seller shall arrange to insure all the Goods to be furnished under the Contract in amount equivalent to 110% of the CIF cost of each item which the Seller will furnish on each shipment with the right to claim payable in Thailand. The insurance shall cover all risks, including war risk, strike, riot and civil commotion (S.R.C.C.). The insurance policy shall be the insurance as stated the name of the seller as the insured, while the buyer shall be beneficiary. The insurance as stated shall be effective from the date the Goods are shipped until their arrival at the place designated under Clause 9.

In case where there is any loss or damage incurred by the Goods during transportation, the Seller shall replace or repair such goods at his own expenses, but the Buyer shall reimburse to the Seller the amounts paid by claiming from the insurer the compensation under the insurance policy. In no case shall the reimbursement exceed the compensation paid by the insurer.

## **12. Warranty**

The Seller undertakes to warrant against the defect of the Goods for a period of \_\_\_\_\_ months from the date of issue of the Certificate of Acceptance under Clause 10. Should there be any defect or lack of efficiency associated with its operation due to the quality of materials, design, assembly fabrication or production, the Seller shall repair or replace the material or component free of charge within a reasonable time. The Seller will bear the whole cost thereof except for cases of normal wear and tear or the Buyer's fault in maintenance or operations.

Should the Seller fail to carry out the repair or replacement of the Goods within a reasonable time to be determined by the Buyer, the latter is entitled to repair or replace the Goods at expense of the Seller.

## **13. Terms and Methods of Payment**

### **13.1 For imported materials**

#### **13.1.1. Payment of Foreign Currency Portion**

Payment shall be made by an irrevocable letter of credit (L/C) to be established by the Buyer through a bank designated by the Seller in favor of the

Seller or if requested in writing by the Seller in the name of a supplier or manufacturer; or directly by the Buyer or by \_\_\_\_\_ on the Buyer's instructions.

(A) Advance Payment (option)

Payment of the Goods in and amount equivalent to \_\_\_\_\_ percent (\_\_\_\_%) of the total Contract Price shall be made within \_\_\_\_\_ (\_\_\_\_) days from the date of signing the Contract or from the date receipt of L/C against the Bank Guarantee duly furnished by the Seller under Clause 13.4.

(B) Payment upon Shipment

Payment for \_\_\_\_ percent (\_\_\_\_%) of the value of each shipment shall be made presentation by the Seller to the designated Bank (in case of L/C;) or to the Buyer )in case of direct payment) of the following documents:

- (i) Invoice in \_\_\_\_\_ original and \_\_\_\_\_ copies
- (ii) Bill of lading in \_\_\_\_\_ original and \_\_\_\_\_ copies
- (iii) Packing List in \_\_\_\_\_ original and \_\_\_\_\_ copies
- (iv) Insurance Policy
- (v) Certificate of Origin
- (vi) Certificate of Inspection (if applicable)
- (vii) Other Documents Required by the Loan Source.

(C) Payment upon Delivery to the Designate Place

(i) Except as provided in sub-paragraph C (ii) below, the remaining \_\_\_\_\_ percent (\_\_\_\_%) of the value of any shipment shall be paid (against the L/C or by the Buyer) upon delivery to the designated place of any shipment of the Goods and upon presentation of the following documents:

a) Invoice

b) Certificate of Acceptance of the Goods signed by the Inspection Committee

ii) if any item(s) in the shipment of the Goods is not delivered on schedule and if such item(s) is to be assembled with other items or is otherwise to be placed in working order at the designated place, then any outstanding payment for the



value of such shipment shall be withheld until such item is delivered either assembled or placed in working order, and the Invoice and Certificate of Acceptance have been presented.

#### 13.1.2. Payment of Baht Portion

Payment of the Seller's invoice in Baht covering the local expenditures (eg. local transportation, clearance expenses, etc.) shall be made by the Buyer directly to the Seller within 45 days after submission to the Buyer of the corresponding complete invoice together with a copy of the Certificate of Acceptance for the Goods delivered.

#### 13.2 For local Materials

##### 13.2.1 Advance Payment (option)

Payment of the Goods in an amount equivalent to \_\_\_\_\_ percent (\_\_\_\_ %) of the total Contract Price shall be made within \_\_\_\_\_ (\_\_\_\_) days from the date of signing the Contract against the Bank Guarantee duly furnished by the Seller under Clause 13.4

##### 13.2.2 Payment upon Delivery

Payment (for the balance amount from the advance payment or for the Contract Price) of each delivery shall be made by the Buyer directly to the Seller within 45 days after submission to the buyer of the corresponding complete invoice together with a copy of the Certificate of Acceptance of such delivery.

#### 13.3 Receipt

Upon receipt of each payment, the Seller shall furnish a cash receipt signed by the Seller or by the receiver to the Buyer by hand or by registered mail sent to the Buyer within \_\_\_\_ (\_\_\_\_) days.

#### 13.4 Security for Advance Payment

On the date of receipt of advance payment, the Seller shall submit to the Buyer the Bank Guarantee issued by a bank in Thailand for an amount equivalent to the sum of advance payment to be received as security for the refund of such advance payment to the Buyer.

The said bank Guarantee shall be valid from the date of receipt of the advance payment up to the date of acceptance of the whole Goods correctly and completely.

#### 13.5 All expenses incurred in relation to the opening of letter of credit in

Thailand shall be borne by the Buyer and all expenses in relation to the confirming of letter of credit outside Thailand shall be borne by the Seller.

**14. Shipment (This clause should be deleted when it is contrary to the guide lines of the loan source)**

14.1 If the Goods to be delivered to the buyer according to this contract are Goods which have to be ordered or imported from abroad by the Seller and are to be carried by sea on the route where Thai vessels are in carriage service and their space are available according to Notification issued by the Minister of Transport and Communication, the Seller must make arrangements for the shipment of such goods to Thailand by Thai vessels which enjoy the rights similar to Thai vessels unless permission has been obtained from the Office of Mercantile Marine Promotion Commission before such Goods are carried by non-Thai vessels or they are goods which, according to the Notification of Minister of Transport and Communications, may be carried by non-Thai vessels.

14.2 Seller must submit a bill of lading or its certified copy to the Buyer together with the delivery of the Goods showing those Goods are carried by Thai vessels or vessels which enjoy the rights similar to Thai vessels.

In case such Goods are not carried from abroad by Thai vessels or vessels which enjoy the rights similar to Thai vessels, the Seller must submit either an evidence to the Buyer showing that permission has been obtained from the Office of Mercantile Marine Promotion Commission allowing the carriage of the Goods by or evidence showing that payment of special fee has been made due to non-Thai vessels according to the law on Mercantile Marine Promotion.

In case the Seller does not submit to the Buyer either of the evidence mentioned in the preceding paragraphs, but nevertheless desires to deliver such Goods to the Buyer without receiving payment for such Goods, the Buyer is entitled to accept such Goods and will pay for the price to such goods when the Seller has properly fulfilled the aforesaid requirements.

**15. Termination of the Contract for Cause**

In case of failure of the Seller to complete the delivery of the Goods within the scheduled time as may be extended from time to time under the Contract or in case of

becoming bankrupt or non-compliance with the obligations under any Clauses of the Contract, the Buyer is entitled to terminate the Contract, in whole or in part by written notice of termination sent to the Seller.

The Buyer's failure to terminate the Contract under the first paragraph shall not constitute justification for the Seller to be relieved of any liabilities under the Contract.

#### **16. Termination by the Buyer for Convenience**

a) The Contract may be terminated by the Buyer in whole, or from time to time in part, in accordance with this Clause whenever the Buyer shall determine that such termination is in the best interest of the Buyer.

b) Termination shall be effected by notice of termination sent to the Seller specifying that termination is for convenience of the Buyer, the extent to which performance of work under the Contract be terminated, and the date upon which such termination becomes effective.

c) The Seller shall be reimbursed for all contract cost incurred up to the time of termination under this Clause excluding any amount already paid to the Seller.

#### **17. Liquidated Damages**

In case of failure of the Seller to complete the delivery of Goods by the time scheduled in the Contract, or in case the Goods have been rejected for not meeting the Specifications, the Seller agrees to pay liquidated damages to the Buyer on a daily basis at the rate of \_\_\_\_\_% of the cost of the Goods not completely delivered from the day following the specified date of delivery up to actual date of delivery of the Goods to the Buyer correctly and completely subject to the maximum amount of 10% of the Contract Price.

In case of purchasing the Goods assembled in one set, in penalty shall be imposed in full on the cost of the whole set. Regarding the purchase of the Goods in sets together with spare parts and/or tools, if the Seller delivers complete sets on schedule, with the exception of spare parts and/or tools which are behind schedule, liquidated damages will be imposed on a daily basis at the rate of \_\_\_\_\_ percent (\_\_\_\_%) of the cost the spare part and/or tools undelivered.

As regards the purchase of the Goods at a cost inclusive of the cost of installation or test, if the number of days involved in the installation or test extends beyond the scheduled in the Contract; the liquidated damages shall be imposed on a daily basis at the rate of \_\_\_\_\_ percent (\_\_\_\_%) of the whole cost.

If the Buyer has not yet terminated the Contract and considers that the Seller is unable to continue its performance of the Contract, or the liquidated damages amount exceeds the ceiling, the Buyer is entitled to terminate the whole or part of this Contract, as the Buyer may deem it appropriate and may exercise the right under Clause 18. In addition, if the Buyer notifies the Seller after the delivery time schedule in the Contract that he demands the payment of the liquidated damages, the Buyer shall also be entitled to the liquidated damages; the Buyer shall also be entitled to the liquidated damages up to the date of termination of the Contract.

In case the Buyer accepts the Goods which the Seller has delayed in delivering, the Seller agrees to pay the penalty at the time of acceptance of the Goods.

#### **18. Buyer's Right After Termination of the Contract**

In case the Buyer terminates the Contract under Clause 15, the Seller agrees to let the Buyer confiscate the security by claiming against the Bank issuing the performance security in whole or in part as may be deemed advisable by the Buyer. Besides, the Seller shall be liable to pay all damages to the Buyer, and if the Buyer procures the Goods from another person in whole or in part, especially for those falling short as the case may be, within a period of.....(.....) months from the date of termination, the Seller agrees to reimburse the extra cost over and above the stipulated in the Contract.

#### **19. Claim for Penalty and Damages**

In claiming liquidated damages and damages from the Seller this Contract, the Buyer may be reimbursed by way of deduction from the cost of the Goods including reimbursable remaining unpaid to the Seller or by claiming against the bank issuing the performance security as the buyer may prefer.

## **20. Force Majeure**

Where there is Force Majeure which causes delay in delivery of the Goods under the Contract, the Buyer shall be notified in writing at once with evidence of the facts involving Force Majeure, Such evidence as stated shall be verified by an agency acceptable to the Buyer or by the Royal Thai Embassy or Thai Consulate in the country where such Force Majeure occurs in order to enable the Buyer to give the matter due consideration and extension of the delivery time to cover the delay due to said Force Majeure.

In this Contract Force Majeure denotes any event, the happening or pernicious results of which could not be prevented even though a person against whom it happened or threatened to happen were to take such appropriate action as might be expected from him in this situation.

## **21. Ownership of the Goods**

Any purported transfer of the ownership of the Goods as evidenced by a bill of lading, insurance policy and other such documents shall not affect the Seller's obligations under this Contract.

## **22. Transfer or Change of Right under the Contract**

Both parties shall not on any account transfer or change the rights under the Contract except with written consent from the other party

## **23. Settlement of Disputes**

23.1 Any disputes or difference arising out of or in connection with this Contract or the implementation of any of the provisions of this Contract which cannot be settled amicably shall be referred to arbitration.

23.2 Unless both parties agree in the appointment of a single arbitrator, either party shall serve upon the other a notice of intention to submit the dispute or difference to arbitration and specify the name of an arbitrator to be appointed by him. Then the dispute or the difference shall be referred to two arbitrators, one to be appointed by the issuing party as aforesaid and the other one to be appointed by the other party within thirty (30) days after receipt of the said notice. If the two arbitrators



are unable to agree on such dispute or difference, an umpire shall be appointed by the two arbitrators within thirty (30) days from the date of disagreement. The umpire so appointed shall resolve the dispute or difference.

23.3 Should either party be unable to appoint an arbitrator or in case of disagreement as regards to the appointment of an umpire, each party is entitled to refer the matter to the Civil Court in Bangkok, Thailand for the appointment of arbitrator or umpire as the case may be.

23.4 Any decision or award given by the single arbitrator or the two arbitrators jointly, or the umpire in case the two arbitrators disagree, shall be final, conclusive and binding upon the parties hereto. The arbitration proceeding shall follow the Rule of Arbitration of the Ministry of Justice's Arbitration Office or any rule as agreed by both parties and shall be conducted in Bangkok.

23.5 Each party shall bear the cost of his own arbitrator's service and share equally other cost of all proceedings. In case a single arbitrator or an umpire is appointed, the cost of the single arbitrator's service or the cost of the umpire's service shall be decided by the arbitrator, or the umpire, as the case may be.

23.6 The submission of any matter in dispute or difference to the arbitration proceedings as aforesaid shall be a condition precedent to the right of institution of court action.

23.7 Each party shall have the right to institute suit against the other in the Civil Court in Bangkok, Thailand, to enforce any decision or award rendered in arbitration proceedings.

## **24. Law of Contract**

This Contract shall be subject to and construed in accordance with the Law of the Kingdom of Thailand.

## Appendix D



## Translation

### MERCHANT MARINE PROMOTION ACT, B.E. 2521 (1978)

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BHUMIBOL ADULYADEJ, REX.

Given on the 11<sup>th</sup> Day of December B.E. 2521;

Being the 33<sup>rd</sup> Year of the Present Reign.

His Majesty King Bhumibol Adulyadej is graciously pleased to proclaim that:

Whereas it is expedient to have a law on merchant marine promotion;

Be it, therefore, enacted by the King, by and with the advice and consent of the National Legislative Assembly, as follows:

**Section 1.** This Act is called the “Merchant Marine Promotion Act, B.E. 2521”.

**Section 2.** This Act shall come into force as from the day following the date of its publication in the Government Gazette.<sup>1[1]</sup>

**Section 3.** The Announcement of the Revolutionary Party No. 215, dated the 20<sup>th</sup> September B.E. 2515, shall be repealed.

**Section 4.** In this Act:

“merchant marine” means the marine transport, marine insurance, marine navigation, shipyard and port businesses, including other businesses relating directly thereto, or being a part thereof, as prescribed in the Ministerial Regulations;

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<sup>1[1]</sup> Published in the Government Gazette Vol. 95, No. 143, Special Issue, dated 18<sup>th</sup> December B.E. 2521 (1978)

“marine transport” means the carriage of goods by vessel from Thailand to foreign countries, or from foreign countries to Thailand, or from one place to another outside the Kingdom;

“vessel” means a seagoing vessel employed in marine transport;

“Thai vessel” means a Thai vessel under the law on Thai vessel employed in marine transport;

“marine transport entrepreneur” means a person engaged in marine transport business based in Thailand and carry on marine transport, including a branch and agent of a person engaged in marine transport business whose his principal office placed in foreign country and carry on marine transport in Thailand, as well as a person acting as a broker who collect goods in Thailand for marine transport;

“shipper” means the owner of goods or his agent who exports to, or orders or imports from, abroad of goods carried by sea;

“goods” means merchandises, things or live animals;

“port” means a place where services of berthing, loading or discharging goods are provided for vessel;

“port business” means the business relating to port, including other businesses relating directly thereto, or being a part thereof, as prescribed by the Ministerial Regulations;

“shipyard business” means the business of building, repairing, or maintaining of vessel, or of installing or repairing engines or equipments for navigation of vessel;

“Commission” means the Maritime Promotion Commission;

“Office” means the Office of the Maritime Promotion Commission;

“competent official” means a person appointed by the Minister to carry out the duty under the provisions of this Act;

“Minister” means the Minister having charge and control of the execution of this Act.

**Section 5.** There shall be a Commission called the “Maritime Promotion Commission”, consisting of the Minister of Transport and Communications as Chairperson, the Permanent Secretary of the Ministry of Transport and Communications

and the Permanent Secretary of the Ministry of Commerce as Vice-Chairpersons, the Permanent Secretary of the Ministry of Finance or his or her representative, the Permanent Secretary of the Ministry of Foreign Affairs or his or her representative, the Permanent Secretary of the Ministry of Industry or his or her representative, the Commander in Chief of the Royal Thai Navy or his or her representative, the Secretary-General of the National Economic and Social Development Board or his or her representative, the Secretary-General of the Board of Investment or his or her representative, the Director General of the Department of Foreign Trade or his or her representative, the Director General of the Department of Local Administration or his or her representative, the Director General of Customs Department or his or her respective, and the President of the Board of Trade of Thailand or his or her representative, as members, and not more than four qualified members as appointed by the Council of Ministers from a person of Thai nationality with knowledge or experiences in merchant marine, economics, transportation, laws, foreign affairs, agriculture or industries.

The Secretary-General of the Office of the Maritime Promotion Commission shall be member and secretary of the Commission.

**Section 6.** A qualified member shall hold an office for a term of two years. A qualified member who vacates from office may be reappointed by the Council of Ministers.

**Section 7.** A person with one or any of the following characteristics shall not be a qualified member:

- (1) being an incompetent or quasi-incompetent;
- (2) being imprisoned by a final judgment of imprisonment except for an offence committed through negligence or a petty offence;
- (3) being a bankrupt;
- (4) being a political official;
- (5) being a member of the Board or officer of the political party.



**Section 8.** In addition to vacating office at the end of the term, a qualified member vacates office upon:

- (1) death;
- (2) resignation;
- (3) being dismissed by the Council of Ministers;
- (4) having one or any of the characteristics as prescribed in Section 7.

In the case where a qualified member vacates from office before term, the Council of Ministers may appoint the new qualified member.

The term of office of the newly appointed qualified member under paragraph two shall be equal to the remaining term of the previously appointed member.

**Section 9.** In the case where the Chairperson is unable to attend the meeting, or is unable to perform his or her duty, the Vice-Chairperson who has been entrusted by the Chairperson shall preside over at the meeting. If both Chairperson and Vice-Chairperson are unable to attend the meeting, or are unable to perform their duties, the member shall select one among themselves to preside over at the meeting.

**Section 10.** At the meeting, the presence of not less than one-half of the total number of members is required to constitute a quorum.

A decision of the meeting shall be made by the majority of votes. In casting votes, each member shall have one vote. In case of an equality of votes, the person who presides over at the meeting shall have an additional vote as the casting vote.

**Section 11.** The Commission shall have the following duties:

(1) to give advice, upon request, to the Council of Ministers relating to merchant marine;

(2) to submit recommendations relating to the development, promotion, control, protection, and coordination of merchant marine to the Council of Ministers, especially the recommendations for determining the following measures:

(a) to develop both amount and capability of Thai vessel in marine transport;

(b) to establish and/or promote merchant marine training institutions in order to produce the number and to extend the capabilities of officers, seaman as well as merchant marine entrepreneurs to meet both the needs of the country and international requirements;

(c) to promote and control marine transport, marine insurance, marine navigation, shipyard and port businesses, including the use of communication equipments and navigational aids; and

(d) to promote and protect marine transport entrepreneurs who are able to have title over Thai vessel, and shipper based in Thailand;

(3) to submit recommendations to the Council of Ministers, after having considered with an agency of central administration, provincial administration, local administration, State agency, government agency or State enterprise, on the establishment, amalgamation, separation, and termination of port and port business, and on structure and work plans for expansion, investment, and development of port and port business of an agency of central administration, provincial administration, local administration, State agency, government agency or State enterprise;

(4) to submit recommendations or advice relating to the enactment of laws for the development, promotion, control, protection and coordination of merchant marine to the Council of Ministers;

(5) to submit recommendations to the Council of Ministers in order to fulfil an obligation under the international agreements on merchant marine;

(6) to submit recommendations or advice to the Minister for the issuance of the Ministerial Regulations, notifications and orders under this Act;

(7) to prescribe rules and conditions in granting rights and benefits in order to control the exercise of the granted rights and benefits to be complied with this Act;

(8) to coordinate projects and work plans relating to merchant marine, and to control marine navigation operated by an agency of central administration, provincial administration, local administration, State agency, government agency, or State enterprise and private enterprise;

(9) to perform other duties of the Commission as prescribed by this Act or by other laws, or as entrusted by the Council of Ministers.

The Commission may entrust the Office to be responsible for its duties under (8) and (9).

**Section 12.** The Commission may appoint any person to be a member of the *ad hoc* committee or sub-committee in order to consider or carry on any matter as entrusted by the Commission.

The provisions of Section 9 and Section 10 shall be applied *mutatis mutandis* to the meeting of the *ad hoc* committee and sub-committee.

**Section 13.** The Commission or the Office shall have the power to summon, in writing, any person to make statements or to deliver documents relating to merchant marine to the Commission.

**Section 14.** There shall be the Office of the Maritime Promotion Commission in the Ministry of Transport and Communications with the following duties:

- (1) to be the coordination center for merchant marine;
- (2) to study and analyze projects, work plans or measures relating to merchant marine for the Commission;
- (3) to make a study and analysis on, and to provide coordination for technical aspect of, marine transport, marine insurance, marine navigation, communications and navigational aids, shipyard and port businesses, to collect and disseminate technical data relating thereto, and to exchange those data with other technical institutions;
- (4) to perform duties as entrusted by the Commission;
- (5) to perform other works so as to fulfil the objectives of this Act, or to perform the duties of the Office as prescribed by this Act or by other laws.

**Section 15.** There shall be a Secretary-General of the Maritime Promotion Commission with the duties to generally supervise the performance of official affairs of the Office. There may be a Deputy Secretary-General to assist the Secretary-General in the performance of his or her official duty.

**Section 16.** In promoting merchant marine, the Government may impose measures and/or grant rights and benefits as follows:

(1) imposing whether the marine transport between Thailand and each foreign country shall be made by Thai vessel for not less than the proportion between the quantity of goods and freight as specified by the Royal Decree;

(2) exempting or deducting, by enacting the Royal Decree under the Revenue Code, rate of income tax on dividends to shareholders of the juristic person carrying on marine transport business and having title over Thai vessel or carry on shipyard business as specified;

(3) imposing whether the shipper who export produces or products from Thailand to foreign countries, or order or import goods from foreign countries into Thailand, by Thai vessel shall have the right to deduct money, in an amount of not more than fifty per cent of freight and/or other money which have to be paid ordinarily for such transportation, from his net incomes or net profits, as the case may be, as specified by the Royal Decree under the Revenue Code;

The Royal Decree enacted under (1), (2) and (3) may impose rules, procedure and conditions on the exercise of measures and the granting of the aforesaid rights and benefits.

**Section 17.** The Minister shall have the power to issue the Ministerial Regulations specifying, in whole or in parts, of the following matters;

(1) specifying whether goods ordered or imported by State agency, government agency, or State enterprise from foreign countries and carried by vessel shall be carried by Thai vessel if the carriage of such goods is made on the route in which Thai vessel provide carriage service and that service is available;

(2) specifying whether goods ordered or imported from foreign countries by the shippers which are financed by loans borrowed by State agency, government agency, or Industrial Finance Corporation of Thailand under the terms and conditions of such borrowing, or goods ordered or imported from foreign countries by the contractor of State agency, government agency, or State enterprise for the performance of contract, and carried by vessel shall be carried by Thai vessel if the carriage of such goods is made on the route in which Thai vessel provide carriage service and that service is available;

(3) specifying kinds and categories of goods in which the shippers shall export to, or order or import from, foreign countries by Thai vessel for not less than the specified proportion if the carriage of such goods is made by vessel on the route in which Thai vessel provide carriage service and that service is available in the specified period.

**Section 18.** For the execution of the Ministerial Regulations under Section 17, the Minister shall have the power to notify the following matters in the Government Gazette:

- (1) rules, procedures and conditions necessary for the carriage of goods required to be carried by Thai vessel;
- (2) measures for the shippers to report his or her export to, or order or import from, foreign countries of goods of the kinds and categories as required to be carried by Thai vessel;
- (3) measures necessary for examining quantity of goods required to be carried by Thai vessel and quantity of services of Thai vessel employed by the shippers during the specified period.

**Section 19.** In the case where the goods specified under Section 17 could not be carried by Thai vessel, the shippers shall apply to the Office for a written permit to carry such goods by other vessels under the rules and procedure as determined by the Office.

The Office shall, within five days as from the date of its receiving of such application, inform the applicant of its decision of granting permission, or refusing the application. If such decision is not reached to the applicant within five days, it shall be deemed that the permission has been granted.

**Section 20.** The permission under Section 19 shall be granted if it appears that:

- (1) there is no Thai vessel to call the port of shipment, or the space of Thai vessel is not available for such shipment, during the period of shipment;
- (2) there is a particular Treaty or an Agreement between the Royal Thai Government and foreign government; or



(3) there is a special necessity.

**Section 21.** A non-Thai vessel chartered by the marine transport entrepreneur who has title over Thai vessel, in order to add his number of vessels on the route where his vessels ply in the ordinary course of business, may be granted with rights and benefits under this Act as same as Thai vessel along the period of the charter if the marine transport entrepreneur report the chartering and submit related documents to the Office and the permission to employ the chartered vessel in his or her marine transport business has been granted by the Minister or the person entrusted by him. In this regards, rules to be considered in granting such permission shall be determined by the Minister or the person entrusted by him.

The rules, procedure and conditions for reporting as well as documents relating to the chartering which shall be submitted to the Office under paragraph one shall be prescribed by the Minister and published in the Government Gazette.

**Section 22.** As from the date in which the Ministerial Regulations under Section 17 come into force, a shipper who fails to carry the specified goods by Thai vessel or by a vessel granted with rights and benefits under Section 21, or carry goods of the specified kinds and categories by Thai vessel or by a vessel granted with rights and benefits under Section 21 less than the specified proportion and the permission to carry such goods by other vessels under Section 20 has not been granted, shall be liable to a special fee equal to twice of the freight money for such shipment, or of the freight money for the deficit proportion.

The calculation of the freight money for the payment of the special fee under paragraph one shall be in accordance with the rules as prescribed by the Ministerial Regulations.

The liability to payment of the special fee shall be incurred as from the day the shipper make a shipment by non-Thai vessel, or, in the case where the shipper make a shipment of goods by Thai vessel or by a vessel granted with rights and benefits under Section 21 less than the specified proportion, the day in which the competence official specify in an order to pay the special fee. If the payment of such special fee is not made within the specified date, it shall be regarded as the unpaid special fee.

The payment of the special fee shall be made to the competent official according to the rules, procedure and conditions as prescribed by the Ministerial Regulations.

**Section 23.** As for the payment of the unpaid special fee, the competent official shall have the power to order, in writing, the person liable to the payment of such fee to pay the fee, and shall have the power to seize and sell by auction of any property of the person liable to the payment of such fee without the judicial order.

The provisions on seizing and selling by auction under the Civil Procedure Code shall be applied *mutatis mutandis* to the seizing and selling by auction under paragraph one. The money from selling by auction of such properties, after having deducted fees and expenses on seizing and selling by auction as well as the special fee, shall be returned to the owner of such properties.

**Section 24.** If it appears that a marine transport entrepreneur give his or her special rights or benefits to the shippers or has been granted special rights and benefits, whether directly or indirectly, and such special rights or benefits being unfair advantages over, and detrimental to, other marine transport entrepreneurs who have title over Thai vessel in marine transport, the Minister, upon the recommendations of the Commission, shall have the power to have the following orders:

(1) to collect money for the prevention of unfair advantages in marine transport from the marine transport entrepreneur who is a cause of the notification to collect money for the prevention of unfair advantages in marine transport on the goods carried by such marine transport entrepreneur during the period as specified in such order, at the rate in which the Minister think fit but not more than the freight money for the shipment of such goods;

(2) to prohibit all or some vessels of the marine transport entrepreneur who take unfair advantages from loading or discharging goods at port in the Kingdom for a specified period.

The calculation of the freight money for the purpose of collection of money for the prevention of unfair advantages in marine transport under paragraph one shall be in accordance with the rules as prescribed by the Ministerial Regulations.

The duty to collect money for the prevention of unfair advantages in marine transport under paragraph one shall be the duty of the Customs Department and the law on customs shall be applied *mutatis mutandis* to such collection. In this regards, money for the prevention of unfair advantages in marine transport is deemed to be import or export duties under the law on customs tariff. For the purpose of collection of money for the prevention of unfair advantages in marine transport, the competence official under the law on customs shall have the power to arrest the vessel carrying such goods until the marine transport entrepreneur has completed the payment of the money for the prevention of unfair advantages in marine transport or until a satisfactory security has been given.

An order under paragraph one and its amendments or repeals shall be published in the Government Gazette.

**Section 25.** A marine transport entrepreneur who own or employ vessel of five hundred tons gross or over, a port operator, and a shipyard operator who provide building, repairing or maintaining service for vessels of five hundred tons gross or over, shall be registered as marine transport entrepreneur, port operator, and shipyard operator under this Act with the competent official.

The application and registration under paragraph one shall be in accordance with the rules and procedure as prescribed by the Ministerial Regulations.

**Section 26.** The Office may request an agency of central administration, provincial administration, local administration, State agency, government agency, or State enterprise to submit its projects or work plans as well as technical details, financial details, and statistic necessary for the study of conditions of the merchant marine for consideration of the Commission or of the Office.

**Section 27.** For the purpose of a survey and collection of statistics relating to merchant marine, any person who engaged in merchant marine business shall report information, data and other necessity statistics to the Office in accordance with the rules, procedure and conditions as prescribed by the Ministerial Regulations.

**Section 28.** No person shall disclose of information, data, statistics or any statements acquired under Section 13 and Section 27 which would normally be

undisclosed, except for the disclosure on official duty, or for the purpose of examination or investigation, or for judicial trial.

**Section 29.** Any person who fails to comply with the summon under Section 13 shall be liable to a fine for not exceeding five thousand Baht.

**Section 30.** Any person who make false statement or deliver false documents to the Commission under Section 13, or fails to comply with Section 27 or the Ministerial Regulations issued under Section 27, or reports false data, statistics or information, shall be liable to imprisonment for a term of not exceeding six months, or to a fine for not exceeding ten thousand Baht, or to Both.

**Section 31.** Any person who violates or fails to comply with the notification under Section 18 shall be liable to a fine for not exceeding ten thousand Baht, and to a daily fine for not exceeding two thousand Baht per day during the period of such violation or failure.

**Section 32.** Any person who fails to comply with Section 25 shall be liable to a fine for not exceeding fifty thousand Baht, and to a daily fine for not exceeding two thousand Baht per day, during the period of such failure.

**Section 33.** Any person who fails to comply with section 28 shall be liable to imprisonment for a term of not exceeding one year, or to a fine for not exceeding two thousand Baht, or to both.

**Section 34.** Any person who engaged in marine transport business, port business or shipyard business as mentioned in section 25 on the date in which this Act come into force may continue his or her business only for one hundred and eighty days as from the date in which of this Act come into force. If he or she intends to carry on his or her business thereafter, he or she has to be registered under Section 25.

**Section 35.** The Minister of Transport and Communications shall have charge and control of the execution of this Act, and shall have the power to issue the

Ministerial Regulations, to appoint competent officials, and to determine other matters for the execution this Act.

Such Ministerial Regulations shall come into force upon their publication in the Government Gazette.

Countersigned by:

General Kriangsak Chomanan

Prime Minister





## Appendix E



## Questionnaire

This questionnaire is constructed for use as part of the data collection for MBA Thesis, Assumption University, Bangkok, Thailand. The objective of this questionnaire is to obtain the information on the “barriers to suppliers in exporting firearms and ammunitions to Thai military and police force.” The information obtained will only be used for study purpose. Your kind cooperation in responding to all items in this questionnaire would be very much appreciated.

**Questionnaire is divided into 3 parts:**

Part I: Company information

Part II: Identification of Export Barriers

Part III: Open-end question requesting for suggestions and recommendations.

### Part I

#### **Company Information**

1. Products manufactured or supplied:

☐ Firearms

☐ Ammunition

☐ Both

2. Country : .....

## Part II

Please check (✓) one response for each statement that reflects your opinion about it, keeping in mind that the questions relate to export of your products to Thailand.

	Strongly Disagree	Disagree	Neither disagree nor agree	Agree	Strongly Agree
<b>Bidding Requirement</b>					
1. Preparing and certifying documents required for bid submission is time consuming.					
2. Certifying documents by Thai Embassy or Thai Consulate is costly and time consuming due to unavailability of these organizations in your city/state/country.					
<b>Contract Condition</b>					
3. It is difficult to meet delivery period per contract condition.					
4. There is rigid policy regarding the penalty charges for late delivery.					
<b>Work process of Thai Authorities</b>					
5. Frequent rotation of key personnel creates a problem in proposing new products.					
6. Thai Authorities are slow in processing required documents such as End-User Certificate.					
7. The bureaucratic nature of Thai Authorities delay the procurement process.					

	Strongly Disagree	Disagree	Neither disagree nor agree	Agree	Strongly Agree
<b>Foreign Export Control</b>					
8. There is problem in approval of Export license for export to Thailand.					
9. Approval of export license for export to Thailand takes long time.					
<b>Shipment</b>					
10. There is difficulty in finding Thai Flagged vessel for shipment by sea					
11. Shipment by Thai-flagged vessel is very expensive					
12. There is difficulty in finding means for transportation of hazardous goods.					
<b>Terrorism</b>					
13. Due to the threat of terrorism there are stricter export control regulations.					
14. There is recently more difficulty in finding means for transportation of hazardous goods due to threat of terrorism.					
<b>Culture</b>					
15. Cultural differences exit in dealing with Thai Authorities.					
16. Cultural differences delay work flow with Thai Authorities					
17. There is language and communication barrier in dealing with Thai Authorities.					

	Strongly Disagree	Disagree	Neither disagree nor agree	Agree	Strongly Agree
<b>Technology</b>					
18. Lack of procurement information provided on the internet.					
19. It is difficult to propose new technological products to Thai Authorities.					
<b>Export Barrier</b>					
20. Does your organization face any barrier(s) in exporting firearms and ammunition to Thailand?					
21. Export barrier(s) in exporting firearms and ammunition to Thailand have existed for long time.					
22. The export barrier(s) affect your decision in continuing export to Thailand.					

Part III

Please provide any suggestion or recommendation for ways that can be adopted by your distributor or by the end-users (Government Authorities) that can help reduce or eliminate the factors serving as export barrier(s), if any.

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## Appendix F



# Appendix F

## Results From Pilot Study

Product Categories	Country of Origin	Cultural Differences	Bidding Requirements	Delivery Term	Shipment Term	Penalty Charges	Export Licence	Non-Availability of Ammunition	Technology	Effect of Terrorism	Frequent Rotation of Key Personnel	Face No Problem
Military Equipments	UK	*										
Firearms & Ammunitions	UK		*	*	*	*	*	*		*		
Military Equipments	UK											*
Security Equipments	UK						*			*		
Firearms & Ammunitions	UK		*	*	*	*	*			*	*	
Pyrotechnics	Germany						*			*		
Firearms & Ammunitions	Belgium			*	*	*						
Firearms & Ammunitions	Yugoslavia		*	*	*	*	*					
Military Equipments	Israel			*	*	*	*	*	*			
Firearms & Ammunitions	Czech Republic			*	*						*	
Firearms & Ammunitions	USA	*	*	*	*	*	*	*				
Security Equipments	USA	*	*									
Firearms & Ammunitions	USA			*	*	*	*					
Firearms & Ammunitions	USA	*	*	*								
Firearms & Ammunitions	USA		*	*	*	*						
Pyrotechnics	USA								*			
Firearms & Ammunitions	USA		*	*	*	*				*		
Security Equipments	USA	*					*					
Security Equipments	USA						*		*			
Firearms & Ammunitions	USA		*	*	*	*			*			
Firearms & Ammunitions	USA											*
Total		5	9	12	11	10	10	3	4	5	2	2

## Appendix G



AGREEMENT NO ...../200.....

AGREEMENT

BETWEEN

THE GOVERNMENT OF THE KINGDOM OF THAILAND

AND

THE GOVERNMENT OF

ON

THE PURCHASE OF

The Government of the Kingdom of Thailand ( hereinafter referred to as Thai Side )  
and the Government of ( hereinafter ) have,  
through friendly discussion reached the following agreement on the purchase of  
according to  
the standard of the as follows:

Article 1

The Side agrees to sell and the Thai Side agrees to buy the 2  
for the total of ( ) units.  
The total value, on the basis C.I.F. Sattahip Naval Port , at the price per unit of US\$ .-  
( US. Dollars: ), the total of unit amounts  
to US\$ .- ( US. Dollars:  
) and at the price of US\$ .-  
( US. Dollars: ) detail, attached within, as  
per Annex A. The total value, on the basis C.I.F. Sattahip Naval Port, amounts to US\$  
.- ( US. Dollars:  
) all taxes exempted.

Article 2

The Side agrees to conduct training courses and provide other items free of  
charge, with the responsibility of bearing the whole costs of such, to the Thai Side as follows:

2.1 Conduct ( ) production line course for a period of ( ) weeks at the place  
of manufacture by inviting ( ) officers from the Thai Side and dispatch ( )  
engineers from the Korean Side for training the Thai Side in Thailand for a period of ( )  
weeks.

2.2 Conduct ( ) Maintenance training course for a period of ( ) week for ( ) officers from the Thai Side at the place of manufacture.

2.3 Conduct ( ) courses in Thailand for a period of ( ) days by ( ) officers from the Side as follows:

2.3.1 : ( ) Operational course for a period of ( ) days for ( ) officers in which the Thai side will provide the training place.

2.3.2 : ( ) Maintenance course for a period of ( ) days for ( ) officers in which the Thai side will provide the training place.

2.4 The Side agrees to provide fuel in the amount enough for driving each in the distance of 200 ( two hundred ) kilometers from the acceptant point. The Side also agrees to provide.....

### Article 3

The model and associated spare parts for years purchased under this Agreement is to be brand-new and produced since 200... .

### Article 4

The Side shall deliver all the Items purchased or provided under this Agreement to the Thai Side within ( ) days following the date of this Agreement and shall notify the Thai Side of the date of shipment not later than 15 ( fifteen ) days before delivery.

### Article 5

The Thai Side shall pay for the model and associated spare parts for years under this Agreement to the Side the total amount of US\$ .- ( US. ) as follows:

5.1 ADVANCE PAYMENT: % ( percent) of the Agreement value in the amount of US\$ - (US. Dollar : ) shall be paid to the Side by wire transfer from the Thai Military Bank Public Company Limited to The Bank , The Republic of . The beneficiary is account number within 45 (forty five) days following the date of this Agreement.



5.2 The rest amounting to % ( ) percent) of the Agreement value, the Thai Side shall pay the by opening a confirmed, irrevocable, partial payable, transferable and divisible Letter of Credit (L/C) within 60 (sixty) days in the amount of US\$ ( US. Dollar :

with Thai Military Bank Company Limited PLC., Bangkok, Thailand through the Side bank: The Bank, The . The beneficiary is account number in allotment as follows:

( A ) The first payment, the balance of % ( ) percent of the whole agreement price, amounting to US\$ (US. Dollar : Four ) shall be paid, exempting the advance payment, when the Thai Side has received the Side's shipping documents after the inspection and verification of the goods in by the inspection and verification committee appointed by the Thai Side. Partial delivery and payment is allowed and each delivery must not less than 30 ( thirty ) percent of the whole Agreement. In case the Side delivered in the amount more than the Thai could to pay in fiscal year 200... in the amount of ...% ( ) percent of the whole agreement price, the rest of the payment shall be done in the next fiscal year.

( B ) The second payment, the balance of ....% (fifty ) percent of the whole agreement price, amounting to US\$ . - (US. Dollar : ) shall be paid ,exempting the advance payment, when the Thai Side receiving committee in Thailand has accepted the goods and the payment order from the Thai Side has been sent to the Thai Military Bank Company Limited PLC. Partial delivery and payment is allowed and each delivery must not be less than 30% ( thirty percent ) of the whole Agreement.

( C ) The payment for each partial delivery, in case there are any, will be under the condition of clause ( A ) and ( B ) of Article 5.2

#### Article 6

The Side shall submit 10 ( ten ) copies of proforma invoice to the Thai Side through the Thai Military Bank Company Limited PLC. Bangkok, Thailand, in advance not less than 45 ( forty five ) days before the payment date. The proforma invoice is not required to be sign by the inspection and verification committee.

#### Article 7

The Side agrees to warrant that if any of the 2 and associated spare parts for years under this Agreement becomes damaged, inoperable, defective or unserviceable within 12 (twelve) months counting from the

acceptance day of the Thai Side, the Side shall repair or correct them until they are good operational one/ones within 90 (ninety) days since notified from the Thai Side or replace them with brand new one/ones within 90 ( ninety ) days since notified from the Thai Side.

#### Article 8

The Side agrees to conduct counter - purchase with the Thai Side in the amount of %( ) percent of the total Agreement value.

#### Article 9

This Agreement shall enter into force on the date of signature and shall remain valid until the complete fulfillment by the Thai Side and the Side of all their obligations contained herein.

#### Article 10

The respective Embassies of the party shall be responsible for liaison works in implementation of this Agreement.

#### Article 11

Should any obstacle or any point not prescribed in this Agreement arise, solution shall be brought about through friendly discussions between the representatives assigned by the side and the Thai Side. The discussion shall be held in or in Bangkok.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Government have signed the present Agreement.

Done at Bangkok on .....in duplicate in English language.

**FOR THE GOVERNMENT OF  
THE KINGDOM OF THAILAND**

**FOR THE GOVERNMENT OF  
THE**

**SIGNATURE.....**

**( NAME.....)**

**( NAME.....)**

**TITLE**

**TITLE**

**REPRESENTATIVE OF THE GOVERNMENT  
OF THE KINGDOM OF THAILAND**

**REPRESENTATIVE OF THE GOVERNMENT  
OF**

