

Chapter 2 : The Policy Process

1. How do Trade-Related Policy Issues Become the Subject of Commercial Diplomacy?

Key Vocabulary: Read and match column A and B.

- | | |
|-------------------------------|---|
| ● Commercial diplomacy | support for selling products overseas |
| ● Trade policy | formal talks to solve trade issues |
| ● Tariff | rules about when and how to pay |
| ● Non-tariff barrier | tax on imported goods |
| ● Market access | official product safety rules |
| ● Export promotion | ability to sell goods in another country |
| ● Trade negotiation | price document sent before shipment |
| ● Regulatory standards | government rules that control trade |
| ● Pro forma invoice | official bill used for customs |
| ● Commercial invoice | non-tax rule that limits trade |
| ● Customs clearance | process of approving goods at the border |
| ● Payment terms | government action to support national business abroad |

Trade Policy Issues of Thailand

2.1 Geopolitical Shifts & US-China Trade War:

- **Trade Diversion/Circumvention:** Benefiting from diverted Chinese exports to the US, but facing risks of being caught in US-China tech decoupling, requiring strategy shifts.
- **Investment Uncertainty:** Delays in investment decisions by exporters to the US, awaiting clearer global trade signals.

2.2 Investment Climate & Competitiveness:

- **Streamlining Regulations:** Need for simpler licensing and transparent procedures for investors.
- **Targeted Promotion:** Focusing on digital, AI, electronics, future foods, clean energy, and bio-industries to attract advanced foreign investment.

- Local Supply Chains: Encouraging foreign firms to partner with Thai businesses and develop domestic supply chains.

2.3 Digital & Technological Transformation:

- AI & Digital Economy: Integrating advanced technologies into trade and investment policies.
- Semiconductors: Strengthening the local ecosystem for electronics and semiconductors amidst global tech competition.

2.4 Trade Agreements & Liberalization:

- FTA Utilization: Maximizing benefits from existing pacts (RCEP, ASEAN) and negotiating new ones (EU, Canada).
- Tariff Management: Monitoring applied tariffs and harmonizing nomenclature.

2.5 Sector-Specific Challenges:

- Electronics & Automotive: Highly exposed to US tariff impacts, needing strategies to retain production.
- Agriculture/Food: Opportunities to substitute for Chinese exports to the US (fruits, seafood).

2.6 Structural & Long-Term Issues:

- Aging Society & Labor: Addressing demographic shifts impacting the workforce.
- Climate Change: Integrating sustainability into trade and industrial policies.

2.7 Regulatory Complexity:

- Technical Barriers: Complex testing/certification requirements for products like electronics and auto parts, often requiring in-country testing.

When does trade-related policy issues become the subject of commercial diplomacy?

- Government policies affect international business activities, and
- Diplomatic action is required to protect or promote national commercial interests.

Why Diplomacy Is Needed

- Policies differ between countries
- Firms cannot negotiate directly with foreign governments
- Diplomatic channels help resolve disputes or negotiate access

Process of Trade Issues Becoming Diplomatic Subjects

1. Identification of Issues: The process often starts when private sector businesses, industry associations, or other non-state actors face a trade barrier or identify a new commercial opportunity in a foreign market. These issues can range from tariffs and quotas to complex regulatory obstacles, such as differing product standards or procurement rules.
2. Domestic Consensus Building: The private sector communicates these concerns to government bodies, such as the Department of Commerce or trade promotion organizations (TPOs), and other key stakeholders. The government then consults with a wide range of public and private entities to analyze the issue, build a national consensus, and develop a coherent domestic policy position. This stage involves internal government coordination and advocacy efforts.

3. **Elevation to the Diplomatic Agenda:** Once a domestic decision is reached, the issue is elevated to the official commercial diplomacy agenda. This is where professional commercial diplomats, such as trade representatives or commercial attachés within embassies abroad, take over. Their role is to advocate on behalf of their nation's businesses and economic interests to foreign governments and officials.
4. **International Engagement:** Commercial diplomats use various methods to address the issue on the international stage:
 1. **Negotiations:** Engaging in bilateral or multilateral negotiations to establish trade agreements, remove trade barriers, or resolve specific disputes.
 2. **Advocacy and Lobbying:** Using tools like white papers, formal requests, and personal meetings with foreign decision-makers to influence foreign government policies and regulations.
 3. **Trade Promotion:** Organizing trade missions and facilitating business-to-government interactions to highlight national products, services, and investment opportunities.
 4. **Dispute Settlement:** Utilizing formal dispute resolution mechanisms, often through international bodies like the World Trade Organization (WTO), if negotiations fail.
5. **Implementation and Monitoring:** After an agreement or resolution is reached, trade officials work to ensure the agreed-upon outcomes are effectively implemented by domestic decision-makers. The commercial mission then monitors the foreign market to ensure compliance and identify any new or emerging issues, restarting the cycle.

People involved in the Process of Trade Issues Becoming Diplomatic Subjects

- Ministries of Trade or Commerce
- Foreign Affairs departments
- Embassies and commercial attachés
- Export promotion agencies
- Private firms (indirectly)

Sample Diplomatic Negotiation

Case: Mutual Recognition of Food Safety Standards for Rice Exports

Scenario

Agricultural Exports

- Country A exports rice to Country B.
- Country B introduces stricter food safety regulations.
- Exporters struggle to comply.
- The Government of Country A raises the issue through diplomatic talks.
- Negotiations lead to mutual recognition of standards.

Stage 1: Opening Statements

Chief Negotiator (Country B):

Good morning. We welcome the delegation from Country A and appreciate your willingness to engage in dialogue regarding our new food safety regulations.

Head of Delegation (Country A):

Thank you for hosting us. Country A values its long-standing trade relationship with Country B, particularly in agricultural exports. We hope today's discussion will help ensure continued cooperation and mutual benefit.

Stage 2: Statement of the Issue

Head of Delegation (Country A):

Our rice exporters have experienced significant delays since the introduction of your revised food safety standards. While we fully support consumer protection, many of our producers are struggling to meet the new certification requirements within the given timeframe.

Chief Negotiator (Country B):

We understand your concern. However, these measures were introduced in response to domestic food safety priorities and apply equally to all importing countries.

Stage 3: Clarification and Evidence

Agricultural Standards Expert (Country A):

If I may add, Country A already enforces rigorous inspection and testing procedures. Our national standards are aligned with international benchmarks, including Codex Alimentarius guidelines.

Food Safety Regulator (Country B):

We acknowledge that your standards are comprehensive. However, our regulations require additional residue testing that is not explicitly stated in your current certification documents.

Stage 4: Diplomatic Negotiation

Head of Delegation (Country A):

In light of this, we propose exploring a mutual recognition arrangement, whereby Country B would recognize our existing certification system as equivalent to your own.

Chief Negotiator (Country B):

That is an interesting proposal. Mutual recognition could reduce administrative burdens, but we would need assurances that your enforcement mechanisms are consistently applied.

Agricultural Standards Expert (Country A):

We are prepared to share inspection reports, audit results, and allow technical consultations between our regulatory agencies.

Stage 5: Compromise and Agreement

Food Safety Regulator (Country B):

Based on the information provided, we suggest a pilot phase. During this period, rice imports from certified exporters in Country A would be fast-tracked, subject to random inspections.

Head of Delegation (Country A):

We consider this a constructive step forward and agree to the pilot phase. Our government will ensure full transparency and cooperation.

Chief Negotiator (Country B):

Then we are pleased to move toward a mutual recognition framework, pending successful evaluation of the pilot program.

Stage 6: Closing Statements

Head of Delegation (Country A):

We appreciate Country B's openness and look forward to strengthening our trade partnership.

Chief Negotiator (Country B):

Likewise. Today's discussion demonstrates how dialogue can balance public policy objectives with trade facilitation.

2. Key Trade Documents

A. Pro Forma Invoice

A pro forma invoice is a preliminary document sent to a buyer before shipment.

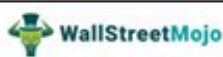
Key Aspects of Pro Forma

- Hypothetical Nature: It's a projection, not historical fact, showing potential outcomes.
- Assumption-Based: Relies on educated guesses about future sales, costs, and impacts.

- Common Uses:
 - Financial Statements: Projecting income, balance sheets, or cash flows after an acquisition or loan.
 - **Invoices:** A draft invoice before goods ship, listing items, prices, and terms.
 - Contracts: A draft agreement or schedule for review before final signing.
- Purpose: To help businesses, investors, or lenders understand the potential impact of a future event or decision.

<p>Used for:</p> <ul style="list-style-type: none"> • Price confirmation • Import permits • Trade negotiations 	<p>Key Information:</p> <ul style="list-style-type: none"> • Seller and buyer • Description of goods • Estimated price • Delivery terms
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Pro Forma Invoice

Pro Forma Invoice							
				Date	Wednesday, February 05, 2020		
				Invoice No	ABC0001		
				Expiry Date	Thursday, March 05, 2020		
<p>Date of Issue & Unique Serial No</p>							
From							
Name: Mr Seller			Details about Seller				
Address:							
Contact:							
To							
Name: Mr Buyer			Details about Buyer				
Address:							
Contact:							
Terms Of Payment :				Mode of Transport:			
Sr No	Product Code	Product Description	Unit of Measure	Price Per Unit	Quantity	Total	
Complete Description of Goods						-	
Extra Charges to be paid by Buyer						Sub Total	-
						Discount	-
						Total	-
						Tax @ 12%	-
						Shipping Charges	-
						Insurance	-
						Commission	-
						Other	-
Total	-						
Terms of Sale:				For: XYZ GARMENTS LTD.			
				Auth. Sign.			
				Date			
"This is not a Tax Invoice"							

B. Commercial Invoice

ABC Company
 COMPANY NAME
 123 Main St. Memphis, TN 38125
 COMPANY ADDRESS

COMMERCIAL INVOICE

INTERNATIONAL AIR WAYBILL NO. **789123456789** (NOTE: All shipments must be accompanied by a Federal Express International Air Waybill.)

DATE OF EXPORTATION **06/11/2019** EXPORT REFERENCES (i.e., order no., invoice no.) **2786**

SHIPPER/EXPORTER (complete name and address)
 Chris Smith
 ABC Company
 123 Main St.
 Memphis, TN 38125

CONSIGNEE (complete name and address)
 Anthony Sparks
 100 Wall St
 New South Wales 2000
 Australia

COUNTRY OF EXPORT **United States** IMPORTER — IF OTHER THAN CONSIGNEE (complete name and address)

COUNTRY OF MANUFACTURE **United States**

COUNTRY OF ULTIMATE DESTINATION **Australia**

MARKS/NOS.	NO. OF PKGS.	TYPE OF PACKAGING	FULL DESCRIPTION OF GOODS	QTY.	UNIT OF MEASURE	WEIGHT	UNIT VALUE	TOTAL VALUE
1324	1	Box	100% cotton men's long-sleeved shirts	3	Pieces	1	50	150

TOTAL NO. OF PKGS.	TOTAL WEIGHT	TOTAL INVOICE VALUE
1	3	150

SEE REVERSE SIDE FOR HELP WITH THE ABOVE SECTION


FOR U.S. EXPORT ONLY: THESE COMMODITIES, TECHNOLOGY, OR SOFTWARE WERE EXPORTED FROM THE UNITED STATES IN ACCORDANCE WITH THE EXPORT ADMINISTRATION REGULATIONS. DIVERSION CONTRARY TO UNITED STATES LAW IS PROHIBITED.

Check one
 F.O.B.
 C & F
 C.I.F.

I DECLARE ALL THE INFORMATION CONTAINED IN THIS INVOICE TO BE TRUE AND CORRECT.

SIGNATURE OF SHIPPER/EXPORTER (Type name and title and sign.)

DATE


 Mr. Chris Smith

06/11/2019

A commercial invoice is an official document issued after the sale.

Used for:

- Customs clearance
- Payment processing
- Tax assessment

Key Information:

- Final transaction value
- Invoice number and date
- Country of origin
- Payment terms

Invoice Comparison

Feature	Pro Forma Invoice	Commercial Invoice
Timing	Before shipment	After shipment
Price	Estimated	Final
Legal Use	Informational	Legal document
Customs	Sometimes	Always

Exercise 1. Answer the questions below in complete sentences.

1. List five other reasons trade-policy issues become a subject of commercial diplomacy aside from what was already mentioned above.

World	Thailand

2. Who are the stakeholders during a trade negotiation?

Company name

COMMERCIAL INVOICE

Invoice No. : CI Date :

Seller :		Buyer :	
Add :		Add :	
Tel :		Tel :	
Fax :		Fax :	

From	Terms of payment	Method of shipment	Incoterms
To	T/T in advance		

No.	Model & Description	Quantity	Unit Price (USD)	Amount (USD)
Country of origin : China				
TOTAL		0 PCS		USD 50.00

Say Total US dollars Only***

Signed (The seller)

VS

Company name

PROFORMA INVOICE

Date : No. : PI

Seller :		Buyer :	
Add :		Add :	
Tel :		Tel :	
Fax :		Fax :	

From	Terms of payment	Method of shipment	Incoterms
To	T/T		

Beneficiary Name:

Name of Bank:

Bank Add:

Account No: Swift Code:

No.	Model & Description	Quantity	Unit Price (USD)	Amount (USD)
Country of origin : China				
TOTAL IN Dollars		0 PCS		USD 50.00

Say Total US dollars Only***

Signed (The Seller)	Signed (The Buyer)
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3. Spot and explain the difference between proforma and commercial invoices.

4. What are the similarities and differences between commercial and tax invoices?

(similarities)_____

(differences)_____

Exercise 2. Fill out the forms.

Commercial Invoice

Sender details

Company:

Address line 1:

Address line 2:

Postcode / City:

Location:

Sender name:

Telephone:

Email:

Invoice number (optional):

Shipping date:

Shipment number:

Currency:

Reason for export:

Sender VAT number:

Receiver VAT number:

Terms of sale (Incoterms):

Receiver details

Company:

Address line 1:

Address line 2:

Postcode / City:

Location:

Receiver name:

Telephone:

Email:

Delivery details (if different from receiver)

Company:

Address line 1:

Address line 2:

Postcode / City:

Location:

Delivery contact:

Telephone:

Email:

Description of goods	Quantity	Unit weight (kg)	Unit value	HS code	Location of origin	Total weight (kg)	Total value

Number of packages in shipment: <input type="text"/>	Total shipment value:	<input type="text"/>
	Discount:	<input type="text"/>
	Subtotal:	<input type="text"/>
	Shipping costs:	<input type="text"/>
	Insurance costs:	<input type="text"/>
	Other costs:	<input type="text"/>
Total declared value:		<input type="text"/>

Declaration

I declare that the content of this invoice is true and correct.

Name and Signature	Company and Job title	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>

Additional information (e.g. hazardous details, EORI number, ECCN number, etc.)

Company Name

[Company Slogan]
 [Stress Address]
 [City, ST ZIP]
 Phone:
 Fax:

PRO FORMA INVOICE

Date
 Expiration Date
 Invoice #
 Customer ID

CUSTOMER

[Name]
 [Company Name]
 [Stress Address]
 [City, ST ZIP]
 [Phone]

SHIP TO

[Name]
 [Company Name]
 [Stress Address]
 [City, ST ZIP]
 [Phone]

SHIPPING DETAILS

Freight Type
 Est Ship Date
 Est Gross Weight
 Est Cubic Weight
 Total Packages

PART NUMBER	UNIT OF MEASURE	DESCRIPTION	QTY	UNIT PRICE	TAX	TOTAL AMOUNT

TERMS OF SALE AND OTHER COMMENTS

[Include and terms of sale or other information as needed]
 [Include payment terms such as Letter of Credit, Open Account, etc.]

ADDITIONAL DETAILS

Country of Origin
 Port of Embarkation
 Port of Discharge

Reason for Export: _____

Subtotal
 Taxable
 Tax rate
 Tax
 Freight
 Insurance
 Legal/Consular
 Inspection/Cert.
 Other (specify)

TOTAL
 Currency **USD**

I certify the above to be true and correct to the best of my knowledge.

x _____
 [Typed Name]
 [Company Name]

_____ Date

References:

Mitra, Sandipan. (2025). What is The Difference Between Commercial Invoice and Tax Invoice. *PICE Blogs*.
<https://piceapp.com/blogs/difference-between-commercial-invoice-and-tax-invoice/#~:text=Key%20Takeaways,issuance%2C%20practical%20implications%20and%20more.>

Photo sources

Proforma invoice. <https://sourcingnova.com/blog/proforma-invoice/>

Commercial invoice.

<https://learn.microsoft.com/en-us/dynamics365/supply-chain/transportation/commercial-invoice>