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Thailand

Trade Policy Monitoring

Annual

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Report Highlights:
The key developments in Thai agricultural trade policy in 2003 are: 1) Tariff reduction for agricultural products and processed foods, including wheat, wheat flour, and peas and lentils; 2) Thai FDA's enforcement of requirements for the Good Manufacturing Practice (GMP); 3) The Thai Royal Government's import ban and a recall action on U.S. beef immediately when finding of a BSE case was reported in late December, 2003; and 4) Thailand's progress in free trade area negotiations particularly with China and Australia. Thai-U.S. Free Trade Agreement is the first-priority FTA negotiations for the RTG in 2004. International trade policies on agricultural products and processed foods may not change much from those in 2003 until an FTA is in place.

Includes PSD Changes: No
Includes Trade Matrix: No
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SECTION I: EXECUTIVE SUMMARY

Thailand's agricultural sector plays a pivotal role in domestic economic and foreign trade policy. Farmers and farm workers constitute about a half of the population and are generally less well off than those who work in non-agricultural sectors. However, despite the massive labor force occupied by the agro-industrial complex, this sector produces just over 10% of the country's GDP. The share of agriculture in export earnings is about 20%, while that of agricultural imports accounts for only 6% of total imports.

Despite its relatively low productivity on several crops against major producing countries, Thailand has been the world largest exporter of a wide range agricultural products (such as rice, tapioca products, rubber, frozen shrimp, canned tuna, and canned pineapple) and a top-ten world exporter of others (such as chicken meat, seafood, and sugar).

Reflecting its export orientation on poultry and aquaculture, Thailand has become a promising market for imported agricultural raw materials such as fertilizer, chemicals, feed ingredients, livestock genetics, etc. In addition, the rapidly growing personal income of Thai people (despite being set back by an Asian economic crisis in late 1990s) and continued favorable growth of the tourism industry have generated high demand for imported goods, including western foods and beverages (e.g. dairy products, meat, fruit, tree nuts, beans and lentils, french fry potatoes, wine).

The U.S. has been a major importer of Thai agricultural products, especially frozen shrimp and other canned/frozen seafood, while Thailand has been a promising market for American wheat, cotton, tobacco leaf, and livestock genetics. In addition, a market for imported U.S. high value products is on the rise, in line with the growing incomes, westernized lifestyles and an expansion in the size of the hospitality sector (hotels, resorts, and restaurant). Annual levels of Thai food and agricultural exports to the U.S. are almost US$ 3 billion, with only about US$ 750 million recorded officially for Thai imports in the U.S. It is apparent that there is room for high growth in U.S. agricultural exports to Thailand particularly if the high tariffs applied to agricultural products and other non-tariff trade barriers are rationalized.

Thailand, despite its appetite for foreign foods and beverages, is a relatively protected market with high duties and other trade barriers (including TRQ implementation, complicated import bureaucracy, and increased technical barriers).

In addition, the Royal Thai Government (RTG) manipulates non-automatic import permits for several products (meats, feed stuffs, gunny bag, jute and kenaf, etc.) in order to protect local producers. In many cases, the TRQ administration by the RTG is manipulated to create trade barriers. The RTG began strict controls on imported food and feed, through its sanitary and phytosanitary measures.

In general, Thailand has complied with the WTO obligations due other member countries. Although Thailand has fixed their bound rates, the applied tariff rates in many cases are lower than the WTO bound rates. Meanwhile, Thailand does maintain 23 tariff-rate quotas for agricultural products. Thailand has been a member of the ASEAN (Association of Southeast Asian Nations) Free Trade Area, called AFTA, since 1991. AFTA set up preferential applied tariffs between Thailand and other ASEAN countries on most agricultural products, with levels currently between 0-5 percent.

In addition to WTO and AFTA, Thailand is aggressively entering into regional and bilateral trade negotiations that will bestow improved access to new markets overseas. Similarly, Thailand's trading partners will have greater access to the Thai market. After the U.S.-Thai bilateral Trade and Investment Framework Agreements (TIFA) was initiated in 2002, Thailand and the United States agreed in October 2003 to begin FTA negotiations. Thailand launched bilateral free trade with China, under the auspices of the ASEAN-China Free Trade Area. In addition, Thailand is moving aggressively ahead to conclude bilateral free trade negotiations with Australia, Japan, South Korea, India and Bahrain.

While the increased bilateral free trade negotiations is a signal that Thailand is becoming more amenable about opening its market to its trade counterparts, the implementation of free trade areas with other agricultural exporting countries, China and Australia in particular, will negatively impact U.S. agricultural exports to Thailand in the future.

SECTION II: AGREEMENT COMPLIANCE

A. WORLD TRADE ORGANIZATION

MARKET ACCESS

Tariffs

While Thailand, in general, has been in compliance with its WTO tariff bindings, the prevailing applied and WTO tariff schedules on agricultural products are the highest among ASEAN countries. The Thai government openly employs them as a tool to generate income and protect domestic producers. The WTO bound rates on certain agricultural products are listed in Exhibit A in the Reference Materials Section.

Based on the latest Trade Policy Review, which the RTG reported to the WTO in 2003, Thailand has initiated a restructuring of its tariff regime and customs procedures in order to increase the country's competitiveness. It was forecast that the new restructured tariff system would be completed in 2003 - import duties would be reduced to 1% for raw material products, 5% for intermediate products, and 10% for finished products. However, this target was not reached. Despite a reduction in the average applied tariff on agricultural products (from 32.7 % in 1999 to 25.4% in 2003), the current agricultural tariff rates far exceed the targeted ranges of 1-10%. In addition, this average tariff rate (25.4%) is much higher than the overall tariff on non-agricultural items (12.9%) in 2003.

On October 4, 2003, the RTG further restructured customs tariff schedule for 1,511 items in order to increase the competitiveness of domestic manufacturers and resolve discrepancies in the current import tariff structure. The Royal Thai Government announced that 464 items under this scheme were agricultural products and processed foods while 1,047 items were industrial goods.

However, there are some ironic aspects of this cabinet approval. First, out of a total 1,511 products, 403 items on the list (not explicitly referred to as either agricultural products or industrial products) will be categorized as a reserved list for international trade negotiations in the future. Second, after scrutinizing the details in the proposed tariff plan, it is apparent that there will be no change in tariffs for most of the agricultural products: the tariffs for these products are just being reduced to the WTO bound rates of 2004, the last year of the current WTO tariff reduction scheme. Third, only a few categories of products are actually subject to an explicitly reduced tariff schedule. This includes wheat, wheat flour, and peas and lentils:

1) Wheat (both durum and meslin): The tariff will be reduced from 1.00 baht/kg to 0.10 baht/kg;
2) Wheat flour: The tariff will be at 25.5% (or 1.85 baht/kg) in 2003 and in the year 2004. The tariff rate will be further reduced to 5% (or 0.50 baht/kg) as of Jan 1, 2005. The current WTO bound rate in 2003 is 32.6% (or 2.24 baht/kg);
3) Peas, beans, and lentils (HS code 0713): The tariff will be reduced to 30%, as opposed to the WTO target bound rate of 40%.

Although a reduction in the tariff for both wheat and wheat flour should lead to decreased prices for wheat flour and to a possible expansion in wheat product consumption, it is still doubtful that this tariff reduction will generate better opportunities for U.S. wheat exports to Thailand in general.

According to trade sources, the larger reduction in the wheat flour tariff (in terms of value equivalence) compared to that of wheat will benefit imported wheat flour, rather than imported wheat. The local flour market segment that will be affected the most is that of the low premium items, especially biscuit flour. Trade sources report that, because of a lack of brand loyalty and fierce competition from imported flour, all domestic flour mills sell biscuit flour at prices close to their break even points from time to time. The situation will become worse for imported wheat when the tariff reduction schedule is fully implemented: based on out calculation in 2003, locally-made biscuit flour will be reduced by 27 baht/bag, while imported wheat flour will get a reduction of 50.63 baht/bag.

If this is the case, Thailand will likely increase its imports of relatively cheaper flour, especially low premium items, from Malaysia and Australia, at the expense of U.S. wheat. U.S. wheat currently accounts for about 40-50 percent of total wheat imports (about 380,000 tons in 2002) while the other two primary suppliers are Canada and Australia.

The change in applied tariff for agricultural products in 2003 is summarized in Exhibit B.

According to Exhibit B, the applied tariffs on several products become equal to the bound rates in the WTO tariff schedule. However, in the case that the applied tariff rates are lower than the bound rates, an importer of products originating from the WTO member countries is eligible to choose either the "bound rate" or "applied rate". This means that the importer may want the "applied rate" to be assessed if it is lower than the bound rate. If the importer wants to enjoy the bound rate in case that it is lower than the applied rate, he must present documents to the Customs such as a certificate of origin.

In addition to high tariffs, the RTG is also using unfair import permit fees on uncooked red meat, poultry, and meat offal as a barrier to the trade flow. Imported meat faces much higher fees than domestic meat. In 1999, the House of Parliament passed a law to amend the various fees which were collected from animal/animal products trade and transportation. As a result, the Ministry of Agriculture revised its fees across the board, including import permit fees for meat and offal. While fees on red meat (beef, buffalo meat, goat meat, lamb, and pork) remained unchanged at 5 baht/kg, those for other products were higher. For instance, the import permit fee on poultry meat was raised to 10 baht/kg (as compared to the earlier 5 baht/kg), meat offal to 20 baht/kg (as compared to 5 baht/kg), and hides and skins to 2 baht/kg (as compared to 1 baht/kg). As a result of the proposal which was initiated by U.S. Meat Export Federation (USMEF) and FAS/Bangkok in 2000, the Thai Cabinet recently agreed in 2002 to reduce the import permit fee on meat offal from the current 20 baht/kg (approx. US$ 454/ton) to 5 baht/kg (US$ 114/ton). However, the reduction was officially implemented on June 1, 2003.

It is apparent that Thailand is implementing trade barriers that are not WTO compliant by violating the national treatment rule, for example, because the prevailing rates on imported meats appeared to surpass the actual veterinary inspection costs inferred by Thai Department of Livestock Development. Fees on domestic meat, which are paid to the local administrative office in the forms of a slaughtering fee and a slaughterhouse fee, are much lower. Domestic fees currently amount to 24 baht/head (US$ 0.55/head or US$ 4/ton beef equivalent) for cattle, 30 baht/head (US$ 0.68/head or US$ 4/ton meat) for buffalo, 25 baht/head (US$ 0.57/head or US$ 15/ton pork) for hog, and 0.40-1.10 baht/bird (approx. US$ 0.018/bird or US$ 17/ton poultry meat) for poultry. The inspection fees applied on domestic products and imported products are summarized as follows:

Product	Thai Product, $/MT	Imported Product, $/MT
Beef	4	114
Poultry meat	17	227
Pork	15	114
Offal	0	114

Tariff-rate Quotas

Thailand is allowed to establish TRQs for 23 agricultural products under the WTO Agreement on Agriculture. The products under the TRQs system are divided into two groups. The first group comprises a number of traditional export commodities (e.g. rice, coconuts), where comparative advantage could preclude the need for import protection. A second group consists of commodities, which can be produced domestically but importation is necessary to meet the high demand of the processing industry (e.g. oilseed, corn). In administering the TRQs for the latter group, the RTG will issue higher-than-commitment in-quota amount and/or lower-than-commitment in-quota duties, when domestic production is not sufficient to cover the demand, especially for export-oriented industries. In years of sufficient domestic supply or surpluses, the RTG will limit in-quota imports, both in-quota amount and in-quota duties, only to the level which is obligated to the WTO agreement. The details on the tariff-rate quotas and the out-quota tariff rates are provided in Exhibit C and Exhibit D in Reference Materials Section.

Although the RTG claims it is justified, Thailand's TRQs management on certain products is quite unpredictable and non-transparent, which discourages imports. The illustration of this practice can be seen in the TRQs allocations for skimmed milk powder, fresh potatoes, and corn.

Non-fat dry (Skimmed) milk powder

In general, the RTG allocated the TRQs to dairy processors based on their purchases of domestic raw milk. Prior to 2003, the RTG allocated the TRQ import quota in an amount exceeding the WTO commitment and lowered the in-quota duties to 5% against 20% allowable under the WTO agreement. However, its practice of quota allocation created problems for the importers and dairy processors in two ways; i.e., untimely quota allocation and uncertainty in the amount of the whole-year import quota. In order to force dairy processing plants in using domestic raw milk, the government strategically delays the announcement of quota allocations (normally divided into two slots). In addition, the RTG used the purchase of local raw milk supply as criteria for eligibility for additional quota allocated in 2001. In 2001, the RTG allocated the regular quota of 55,000 tons and divided the quota into two slots, with the window periods for NDM shipments in January-June and July-December, respectively. That year an additional quota of 10,000 tons was allocated due to a severe lack of local supplies. The RTG utilized the same practice again in 2002, announcing the TRQ quota of 55,000 tons at the beginning of the year. In mid 2002, the government announced plans to allocate an additional quota of 18,000 tons, but this quota amount was never released for use after the national dairy cooperative complained to the government about a raw milk surplus.

In early 2003, the RTG determined to limit the in-quota amount to 53,889 tons and raised the duty to 20% (instead of 5% as in the past several years), corresponding to the levels that Thailand is obligated at with the WTO. This action apparently was to force dairy processing plants to absorb domestic raw milk. Nevertheless, in late 2003, the RTG announced the allocation of additional quota of 13,401.11 tons as requested by dairy processors and lowered the tariff rate back to 5 percent for this additional quota.

In addition to the unpredictable manner in rendering the amount of quota, the RTG has also tactically divided the actual quota for eligible dairy processors into many slots without advance notice. Fluid milk processors and trading importers are not eligible to receive quota in 2003, as the RTG is likely to force fluid milk processors to utilize domestic milk only, while trading importers are considered “middlemen”. The eligible importers under the 2003 TRQ system include condensed milk processors, other non-fluid milk processors (such as ice cream makers, chocolate or coffee beverage processors, and bakery manufacturers), dairy-for-export processors, and yogurt producers. In addition, each company that receives an import quota allotment must divide its import shipments equally into 4 slots for the whole year. This means that a shipment can be done in every three months.

Fresh potatoes

In addition to frozen potatoes (french fries), U.S. potatoes exporters have potential markets for seed and table potatoes. However, the RTG limits market access for fresh potatoes (seed or table) through the use of extremely limited TRQs. The RTG is committed to allow imports of 302 metric tons of seed and table potatoes combined in 2004 at the tariff rate of 27% for in-quota imports, while the out-quota imports are subject to 125.0%.

Due to a growing potato chip market and a lack of domestic seed potato production, the potato chipping industry has acquired fresh potato production through seed imports and fresh potato farming contract. Reflecting insufficient local fresh production, the chipping and snack food industry requested the government to increase the in-quota imports. The three hundred tons of fresh potatoes under the TRQ is far from enough to keep the plants running at efficient capacity when local supplies are off-season.

The RTG has had the discretion to allow potato imports in excess of its WTO-committed quota, however, there is little to no transparency to the way the RTG reaches this decision or that it will be repeated.

For example, although a group of potato chip processors submitted their request in mid 2001 to the RTG for receiving additional quota in 2002 to fulfill their production demand, the RTG allocated an additional quota of 22,100 tons in August 2002. This was too late for Thai processors to contract their purchase with exporting growers. As a result, only 3,000 tons were imported in 2002.

Although a group of potato chip processors in mid 2002 voiced their concern about delayed quota allocation and proposed the RTG to announce the quota allocation in September in the year prior to an importing year, the RTG is still reluctant to issue quota on a timely basis. The Thai Cabinet approved to allocate additional quota of 25,400 tons for 2003 on July 29, 2003, a date that was far behind the first request submission by processors in September, 2002.

Corn

While corn is one of 23 agricultural commodities of which importation is under the WTO tariff-rate-quota system, the RTG has generally restricted the window period of in-quota imports, normally March-June, in order to protect domestic corn growers. This limited time frame, when U.S. corn supplies are decreasing and prices are bullish, places U.S. suppliers at a disadvantage against competitors like Argentina and China.

The RTG limited the in-quota imports to a level that Thailand is obligated to the WTO in 2003 in response to sufficient supply domestic availabilities. The TRQs for corn in 2004 is 54,700 metric tons at a 20 percent tariff rate for shipment during Mar 1- June 30, 2004. The out-of-quota imports are subject to a 73 percent tariff rate with a surcharge of 180 baht/ton.

Sanitary and Phytosanitary Measures

Thailand historically did not seem to explicitly use sanitary and phytosanitary measures to limit agricultural imports. It complied with most international standards. Due mainly to an anticipation of reduced efficacy in using tariffs as trade barriers (following an ongoing decline in import duties) and to increased pressures on Thai agricultural products implemented by importing counties (particularly the EU and Japan), the RTG began to place more stringent standards on imported products. There are some specific problems that Thailand should address including:

1) Domestic producers often are not obligated to meet the same standards;
2) Arduous tests for chemical residues, colorants, and other food additives are burdensome on the exporter and importer alike;
3) Methodologies used in testing practices, resulting in discrepancies between results from foreign laboratories and Thai laboratories;
4) The RTG's reluctance to publish changes or updates to existing regulations, which creates confusion and difficulties in understanding and preparing for the change by interested parties; e.g., instead of providing written guidance, the common way of doing business is based on official word or personal commitments made by the RTG official to interested parties;
5) Sampling at import location more rigorous than for domestic producers.

The RTG has recently initiated several programs to upgrade the food safety of Thai products to meet international standards in. The Ministry of Agriculture and Cooperatives (MOAC) introduced an effort in capacity building in food safety research and development through the application of the Good Agricultural Practice (GAP) method by the use of high yield crop varieties and proper fertilizers. In addition, the MOAC set up the National Bureau of Agricultural Commodity and Food Standards (NBACFS) which is responsible for standardizing, inspecting, and certifying food and agricultural products. MOAC has determined the standards for 14 agricultural commodities including longans, orchids, Thai Hom Mali rice (fragrant rice), lychees, oranges, and others.

The RTG also announced a “Food Safety Year 2004” campaign. In preparation for this event, the Thai Cabinet in March 2003 set up guidelines for a procedure framework for inspecting and controlling the quality of agricultural commodity and food. The objectives of the guidelines are:

1) to focus on the safety of consumers in both the country and international market on an equivalent basis;
2) to promote Thai agricultural products and food to meet international standards;
3) to determine sanitary and phytosanitary standards (SPS) on a scientific basis in order to protect consumer and agricultural production;
4) to initiate an equivalency of standard and safety control between Thailand and international communities.

Following are illustrations of some of the sanitary and phytosanitary measures being used as trade barriers:

Requirements for Good Manufacturing Practice (GMP)

After a two-year grace period, beginning July 24, 2003, the Public Health Ministerial Notification No. 193, B.E. 2543 (2000), Titled "Method of Food Manufacturing and Equipment for Manufacturing Food and Food Storage", would be applied to all domestic manufacturers and foreign suppliers of 54 types of products.

The covered products under this regulation are listed as follows:

1. Infant food and modified food for infant and children
2. Infant and children’s food supplements
3. Modified milk for infant and modified milk for infant and children
4. Ice
5. Drinking water in sealed containers
6. Beverage in sealed containers
7. Food in sealed containers
8. Milk
9. Cultured milk
10. Ice cream
11. Flavored milk
12. Milk products
13. Food additives
14. Food color
15. Food flavoring substances
16. Sodium cyclamate and food containing sodium cyclamate
17. Food for weight control
18. Tea
19. Coffee
20. Fish sauce
21. Water by-products from manufacturing of monosodium glutamate
22. Natural mineral water
23. Vinegar
24. Edible oil and fat derived from animal or vegetable
25. Peanut oil

26. Cream
27. Butter oil
28. Butter
29. Cheese
30. Ghee
31. Margarine
32. Semi-processed food
33. Some particular sauces as identified by Thai FDA
34. Palm oil
35. Coconut oil
36. Mineral drink
37. Soybean milk in sealed containers
38. Chocolate
39. Jam, jelly, marmalade in sealed containers
40. Food classified by Thai FDA as food for special purpose
41. Quicklime soaked egg
42. Royal jelly and royal jelly products
43. Products from the hydrolysis or fermentation of soybean protein
44. Honey (except where the place of manufacturing does not fall under the description of a factory under the law-governing factory
45. Fortified rice
46. Brown rice flour
47. Salted water for food flavoring
48. Sauce in sealed containers
49. Bread
50. Gum and candy
51. Processed agar and jelly
52. Garlic products
53. Flavor and essence additives
54. Frozen food

Domestic manufacturers of these products are obligated to comply with the method of food manufacturing, tools and equipment for manufacturing food, and food storage according to the Good Practice in Food Manufacturing standards of Thailand. Meanwhile, any importer of the covered products must present an equivalent certificate of GMP in line with the Thai GMP Law for certain factories or plants which manufacture those products. The GMPs accepted can be <u>any</u> of the followings: a) GMP by Thai Law; b) GMP by Codex; c) HACCP; d) ISO 9000; and e) other practice equivalent to (a)-(d).

For U.S. food products, Thai FDA officials agree that U.S. practices (it is understood that all U.S. food manufacturers are already subject to 21CFR part 110) are normally superior to the Thai GMP under the present Thai GMP Law. Accordingly, any simple statement/certificate (including HACCP certificate) that is endorsed by USG agencies will be acceptable. The statement may contain sayings like "The food product(s) are manufactured by U.S. processing plant(s) which is (are) subject to 21CFR part 110".

It is understood that most of U.S. food plants adopt HACCP systems to ensure the food safety of their processed food and the HACCP certification (or equivalent) documents are acquired. As a result, this law enforcement should have no serious impact on trade flow of U.S. products into Thailand.

The Requirement on Registration and Import Control on Feed Ingredients and Commercial Feed

The Thai government announced a new import regulation governing feeds and feedstuffs in 2002. The latest move by the Thai Ministry of Agriculture and Cooperatives (MOAC) seeks to tighten its control over the inflow of animal feed and ingredients. A common practice in Thailand is the use of sanitary and phytosantiary import permits as de facto import licenses. Furthermore, MOAC wants to only allow imports from foreign plants that have been inspected and approved by the foreign and Thai government officials.

The requirement addresses: a) requesting import permits; b) issuing import permits; c) extending import permits; d) replacing import permits; and e) import procedures and mechanics.

These requirements and their mechanisms leave considerable room for arbitrary and subjective use of the import permits to be used as means to slow down or even to stop imports. Again, requirements like these are starting to be used against many imported commodities. In general, the requirements call for:

1. Each shipment to be accompanied by many documents, including certificate of origin; certificate of health or export; certificate of analysis; product information and use; manufacturing process chart; ingredient list; invoice; bill of lading; packing list; and possibly others;
2. MOAC Department of Livestock Division (DLD) has fifteen days to review the documents and make its determination to issue the import permit or not;
3. Only foreign plants that have been inspected and approved by the foreign government and the Thai government will be allowed to export to Thailand;

4. MOAC/DLD to have the authority to reject any shipment that does not fully comply with this regulation. Any rejected shipment will have to be removed from Thailand at the expense of the importer.

The Thai feed processing sector has obvious interests in closing off imports of feedstuffs and is able to heavily influence the Thai government to take steps to make it more difficult to import. The Thai government is also feeling pressure from multilateral partners (ASEAN, WTO, inter alias) to open its agricultural market by lowering tariffs. Additionally, Thai government sources indicate that this new regulation is actually in response to tougher EU livestock product import requirements that could impact Thai poultry and shrimp exports to Europe. As a result, the Thai government seems to be shifting to non-tariff barriers as a means to protect its agricultural industry from the expected increase in foreign supplier presence, as well as to avoid losing access to EU markets.

MOAC is widely regarded as the segment of the government that is most vocal against increasing market access for foreign companies, while the Ministry of Commerce and the Ministry of Foreign Affairs seem to accept greater market openness.

Requirement on the Inspection of Meat Processing Plants in Exporting Countries

The Thai Department of Livestock Development (DLD) recently decided not to extend the two-year waiver of this regulation to require the inspection of meat processing facilities in supplier countries. Enforcement of this regulation is now scheduled to begin January 1, 2003, but the Thai government is likely to be reluctant to enforce this regulation to the U.S. In order to avoid possible trade disruption in exporting U.S. meat and poultry into Thailand, in 2004 FAS/Bangkok will help Thai authorities to visit and inspect U.S. plants currently supplying meat to Thailand.

The DLD announced in 2000 the guidelines for the importation of meat and its by-products (including offal). Under these regulations, the DLD required that: 1) any importer must have a DLD-approved cold storage facility, of which the quality is subject to determined standards; and 2) all imported meat and meat by-products coming into Thailand must be delivered from DLD-approved slaughterhouses, which may also be subject to annual inspection by DLD veterinarians. The focus of the meat plant inspections would be the disease control and surveillance system, epidemic status, ante-mortem transportation, slaughtering process and meat inspection, post-mortem transportation to export port, and laboratory tests. Although the DLD claimed that the action was aimed at preventing any exotic disease contact and protecting domestic consumers, the actual motives may be more related to efforts to protect domestic producers as tariffs on meat and meat by-products fall to lower levels in the future.

Shortly after the regulation's announcement, the DLD provided a grace period of one year for all meat imports during 2001, as they needed to work out the details and specific requirements of this plant inspection program. FAS/Bangkok approached high-ranking DLD officials about the regulation and they finally agreed to waive the regulation for another year in 2002. In the case of U.S. meat and offal, the DLD also agreed to accept U.S. meat plants listed on the Meat and Poultry Inspection Directory issued by the Food Safety Inspection Service (FSIS) as plants eligible for exporting meat and offal into Thailand for the past few years as an interim measure.

A Lack of Scientific Ground to Impose Import/Sale Prohibition in Response to Disease Outbreaks in Exporting Countries

Like other importing countries, Thailand appeared to go beyond the recommendations of the competent international health organization, particularly the Office International des Epizooties (OIE), when exporting countries confirm a finding of an animal disease outbreak in their countries.

For example, in the context of notification of Bovine Spongiform Encephalopathy (BSE) disease, the RTG would impose an immediate import suspension on beef and meat from other ruminant animals (including their meat products) from any BSE-infected country. The Thai practice in its import suspension is that any shipments of prohibited products, which have not arrived Thailand prior to the effective date of directives or already arrived Thailand but not yet cleared at the Thai port, will be banned and must be shipped back to the exporting country. In addition, the Thai Food and Drug Administration stipulated that prohibited products, which are already approved and marketed, must be recalled from supermarket shelves and restaurants and must be returned to an exporting country. The recall action is not only non-scientific but also unfairly applied only to imported products. This discriminatory rule imposition can be clearly seen when the Thai FDA did not conduct a recall action on fresh poultry meat in the domestic market when Thailand was recently hit by an outbreak of High Pathogenic Avian Influenza (HPAI) during the end of CY 2003.

In the case of such BSE high-risk items as meat and bone meals, blood meal, etc., the RTG has thus far banned feed ingredients and feed (including pet food) deriving from any animals, both ruminant and non-ruminant animals, from any BSE-affected countries.

FAS/Bangkok protested the ban imposition by sending a letter to convince the Thai Department of Livestock Development (DLD) that a ban on products not containing ruminant products (especially which are derived from non-ruminant products) is an extreme, unnecessary measure and does not comply with the OIE's guidelines. In response to the inquiry, the DLD called for an urgent meeting of the Feed Quality Control Committee on March 3, 2004. This committee is responsible for scrutinizing and reviewing controversial issues about feed quality control and is composed of representatives from different agencies in the Ministry of Agriculture and Cooperatives (MOAC). As a result of the March 3 meeting, the Committee agreed to modify its notification by prohibiting the imports of animal feed deriving from all ruminant animals, which originate in the European Union and any country where is reported or suspected to have BSE disease. However, this change will not become official until the Minister of Agriculture signs the revised notification after it is prepared by the Committee.

As for a BSE low-risk item like hides and skins, the RTG had initiated additional requirements on export certificates endorsed by BSE-affected countries, while the OIE's guidelines clearly state that veterinary administrations in importing countries, regardless of the BSE status of exporting countries, should authorize without restriction the import or transit through their territory of products recognized to be essentially risk free for BSE transmission, including hides and skins. Again, as a result of discussions, the RTG verbally agreed to comply with the OIE's guidelines. At time of report, Post was awaiting official documentation confirming this position.

Biotechnology

Thailand's biotechnology policy is ambivalent, allowing research in government and university laboratories but not allowing field trials or the commercialization of transgenic plants. From the applied side, it is widely known that there is transgenic cotton growing in Thailand today without the approval of the government. Additionally, there are no regulations, other than a moratorium, as to how to manage transgenic crops that are in commercial production in Thailand.

Thailand has the scientific wherewithal to develop its own biotechnology programs, research, and development. However, there are non-science concerns within the Thai government that keep the support for biotechnology programs limited to the laboratories. The Thai government claims that its unwillingness to move forward with commercialization of transgenic plants is due to the European Union's strict import regulations on these sorts of products.

While banning the commercial planting of transgenic seed, the RTG ironically approved to allow imports of transgenic soybeans and corn for a wide-range of domestic use, in both the feed milling and food processing industries. On the other hand, following pressure from Non-Government Organization (NGO) groups, the RTG, through the Ministry of Public Health, issued in April 2002 a labeling law for food containing Genetically Modified Organisms (GMO) materials/products. The regulations, claiming to protect consumers, were apparently based on the Japanese model allowing for a 5 percent tolerance. In addition, the regulations appeared to hurt U.S. interests, as corn, corn products, soybeans, and soy products have been targeted.

Under the regulations for processed products containing more than one ingredient, labeling will only be required for the top three ingredients by weight, if each ingredient constitutes 5 percent or more of the final product and 5 percent or more of that ingredient is derived from GMO ingredients.

Although the implementation of the regulations was scheduled to be enforced on May 11, 2003, one year from the date of regulation announcement in the Royal Gazette, sources in the Ministry of Public Health reported that the ministry, realizing its lack of laboratory facilities, will only monitor the regulation enforcement on a post-marketing basis. This means that product labeling by producer/importer will be voluntary on their judgment. However, the products may be confiscated and the producer/importer will be subject to the same sorts of penalties if the government inspector proves that the products are supposed to be GMO labeled.

Other Terms and Conditions

Thailand also has other import requirements that restrict market access especially for U.S. products in the forms of domestic purchase requirements, biased customs valuations, import permit/license requirements, and complicated excise tax valuation.

Domestic Absorption

It is apparent that the TRQs allocation for a few products, i.e., soybeans, soy meals, corn, and skimmed milk, are all subject to a domestic purchase requirement of the quota receivers. In the case of soybeans, importers (mainly soybean oil crushers) need to guarantee their domestic purchase from farmers at determined prices. The amount of import quota allocated to these importers is proportional to their domestic purchase. The same method is applied in case of soy meals, corn, and skimmed milk.

Customs Valuation

Thailand, in its latest Trade Policy Review reported to the WTO, claimed that it has adopted the WTO Customs Valuation Agreement and thus the relevant rules under the Agreement are being applied. Thailand has also introduced clear customs appeal procedures which cover custom valuation, tariff classification, amount of duty payable, origin of goods and quantity of imported goods. An Electronic Data Interchange (EDI) system has been established to reduce paper load and about 87 percent of declarations are administered through this EDI system. All customs laws are published in the Official Gazette and all important customs information are also posted on the Customs Department's website.

However, the RTG's claims that the method of transaction values in custom valuations to be in compliance with the Agreement (which should have made the customs procedures more transparent) are still questionable. According trade sources, the Customs Department is believed to continue its practice of utilizing reference prices in customs valuation for some product like fruits and food products.

In the case of imported fruits and produce, the U.S. is particularly vulnerable because of the relative transparency in marketing U.S. products. The Thai practice of indexing duty charges tends to bias charges on U.S. products. The Thais typically will take the highest import value of a particular commodity for each country as the base price used to assess duties. If someone orders even a small specialty unit of a commodity, regardless of the obvious aberration the price of this good represents, its high price becomes the duty reference price. This has occurred notably for fresh fruit where there are relatively large numbers of U.S. suppliers and Thai importers. Other countries do not draw similar scrutiny. The seeming lack of price change for competitor products because of long-term contracts or corruption is never challenged. The transparent fluctuation in U.S. commodity prices has proven to be a disadvantage.

Import Permits

In addition to the fact that importers of uncooked meat and meat offal must pay an unfair import permit fee for inspection services provided by veterinary officials, the administration of sanitary import permit issuances has been non-automatic and nontransparent, and apparently has become a barrier to trade. Thus far, the Department of Livestock Development, for example, has never issued an import permit for chicken meat and pork, mainly because they want to protect domestic producers. There is no official prohibition against importing poultry or pork. The issuance of import permits for beef, even allowable to enter the country, takes 15 days, an unreasonably long time. Thai importers must obtain licenses from the RTG for every shipment of imported meat. Further, the RTG sometimes limits an importer to only part of a requested shipment, when the department wants to limit the imports. For example, if an importer requests a permit for five containers, the RTG may grant a license for only two containers.

Excise Tax Valuation

Thailand has collected excise tax on products that are considered luxury goods, a wide range from spirits and beverage to automobiles, as a tool to generate government revenue. Wine and spirits imported into Thailand face astronomically high duties and taxes. While the import duty on these products is a bit under 60% ad valorem, there is an excise tax that is unreasonably complicated and discriminatory between imported products and domestic products.

The excise valuation is extremely complicated in the sense that the amount of paid excise tax itself is revolved in the calculation of excise tax. As a result, based on 54% import duty, for example on wine, 60% excise tax, 7% value added tax, 10% of excise tax as municipal tax, and 2% of excise tax as health tax, the actual duties in 2004 add up to 390%. When compared to taxes on domestic products in which import duty is not included, the complication in excise tax calculation favors domestic manufacturers by requiring them to pay total taxes about one-half of that paid by importers. Total taxes upon domestic wine and spirits are only 212%.

EXPORT SUBSIDIES

Thailand claims that it does not provide direct export subsidies for agricultural products although Thailand availed itself of the transitional arrangements for export subsidies under the WTO Agreement on Subsidies and Countervailing Measures. However, the RTG provides indirect assistance to agricultural exporters and export-oriented agricultural processors through a few schemes.

For example, the Export-Import Bank conducted a refinance scheme for exporters (including agricultural exporters), called the Packing Credit Facility, by purchasing promissory notes from exporters at a lower than commercial interest rate. This facility, however, was terminated in 2003 as the RTG claimed that Thailand wants to comply with WTO agreement. Nevertheless, the RTG set up a new program administered by the EXIM Bank in 2003. Under this program, the EXIM Bank will refund interest on export finance to exporters (including agricultural and non-agricultural exporters) who export their products to the new emerging markets (41 listed countries). Sources from the EXIM Bank reported that the program is on a one-year basis. The RTG claims that this new program is WTO compliant and is to be part of foreign market development program which is directed at emerging markets only, rather than being direct subsidies to exporters.

The RTG also provides other assistance to exporters through investment incentives to export-oriented manufacturers. The Board of Investment (BOI) generally provides a grace period of corporate income tax exemption. The BOI also gives a deduction on the corporate income tax for BOI-approved manufacturers who are able to increase their export income from the previous year.

DOMESTIC SUPPORT

Price Support

Although the RTG does not have a guaranteed price program for agricultural commodities, it has intervened in the market for several products in stabilizing the farm prices. These include: a) a mortgage scheme for paddy and corn; b) price intervention for rubber, oil palm, coffee, garlic, pineapple, eggs, live chicken, etc.; c) the common price intervention program for sugar; and d) the Government's domestic prices intervention on soybeans and raw milk, by forcing processing plants (soybean crushing mills and dairy processors) to buy domestic soybeans/raw milk at pre-determined levels. In case of corn, the Government determines the level of domestic prices as one of the conditions for allowing imports.

As examples, the content of price support programs for paddy and corn in MY 2003/04 remain unchanged from those in MY 2002/03:

In 2003/04, the government policy remains focused on a paddy mortgage scheme. Despite more flexibility in the program this year, fewer farmers participated in the program, due to a higher market price than the intervention price. The mortgage scheme for main paddy, from November 1, 2003 – March 15, 2004, planned to buy 9 million tons of paddy – 5 million tons of fragrant paddy, 3 million tons of non-fragrant paddy, and 1 million ton of glutinous paddy. As of Mar 2, 2004, the program had bought 2.3 million tons of main-crop paddy which included 0.2 million ton of fragrant paddy, 2.1 million tons of non-fragrant paddy, and 0.04 million tons of glutinous paddy. In addition, the intervention prices for 2004 second-crop paddy mortgage scheme were set higher by about US$ 12 /ton from the previous year's level, as follows: US$ 129 /ton for 100% grade paddy, US$ 127 /ton for 5% grade, US$ 124 /ton for 10% grade, US$ 122 /ton for 15% grade, and US$ 116 /ton for 25% grade (exchange rate: 39.50 Baht/US$).

Direct Payments

As a part of a paddy mortgage program, the Marketing Organization for the Farmers (MOF) and Public Warehouse Organization (PWO) bought 2002/03 main crop paddy at 700-1300 Baht per ton above domestic market prices and hired local millers to process it and store it in local warehouses at government expense. Currently the government is selling this rice via Government-to-Government sales at a considerable discount to the purchase price, amounting to an export subsidy. Many of rice millers ended up doing business solely with the government, receiving payment in the form of broken rice and rice bran currently selling at about 400-500 Baht per ton.

Other Support Programs

The RTG normally has other support programs in forms of assistance to reduce the cost of agricultural production. For instance, the RTG supports prices for crop seeds or gives agricultural inputs (seeds and fertilizer) to farmers whose crops are affected by disaster. The

Department of Livestock Development continued its program to provide free-of-charge vaccination and artificial insemination to livestock farmers in rural areas. In addition, the Bank for Agriculture and Agricultural Cooperatives (BAAC), which was established in 1966, extends credit widely, directly to individual farmers as well as indirectly through farmer institutions. Following declining market interest rates in recent years, the BAAC's client farmers may not receive the under-market rates as they used to. However, the loans provided by the BAAC are preferred by a majority of Thai farmers due to the long-term relationship and the bank's well-established operation network. As of March 2003, the BAAC provided lending of 93.6 billion Baht (US$ 2.4 billion) to more than 3.6 million client farmers, and of 27.0 billion Baht (US$ 0.69 billion) to 969 agricultural cooperatives.

B. OTHER TRADE AGREEMENTS

PREFERENTIAL TRADE AGREEMENTS WITH THE UNITED STATES

The U.S.-Thai bilateral Trade and Investment Framework Agreements (TIFA), signed in October 2002, created a foundation for a comprehensive dialogue on the full range of bilateral and other trade issues. The discussions under the TIFA have allowed the two sides to make progress in addressing bilateral issues and clear away the underbrush which will lead to the conclusion of successful FTA negotiations.

Following a discussion between the Prime Minister of Thailand and the President of the United States in Bangkok (during an APEC meeting hosted by Thailand), Thailand and the United States agreed on October 19, 2003, to begin FTA negotiations.

On February 12, 2004, United States Trade Representative Robert B. Zoellick notified Congressional leaders of U.S. objectives and goals for negotiations for a free trade agreement (FTA) with Thailand. This notification follows President Bush's announcement in October 2003 of the U.S. intention to negotiate an FTA with Thailand. As stipulated in provisions of the Trade Promotion Authority legislation passed by Congress in August 2002, negotiations can begin after 90 days after the Congressional notification.

"We believe the United States has much to gain in pursuing a negotiation with Thailand. Thailand already is our 18th largest trading partner with $19.7 billion in total trade during 2002. The increased access to Thailand's market that an FTA would provide would further boost trade in a wide range of both goods and services, enhancing employment opportunities in both countries," wrote Zoellick in the letter. "Negotiation of an FTA would level the playing field for U.S. exports. Many of Thailand's products already enter the U.S. market duty free under the Generalized System of Preference. An FTA would make duty-free treatment reciprocal."

"An FTA with Thailand would be particularly beneficial for U.S. agricultural producers who have urged us forward," wrote Zoellick. "The United States is one of the largest suppliers of agricultural products to the Thai market, which was the 16th largest market for U.S. farm exports in 2002. Elimination of Thailand's high duties and other barriers in the agricultural sector would create new opportunities for U.S. farmers in this major market."

Mr. Somkid Srijatupitak, Deputy Prime Minister of Thailand, is going to officially visit the U.S. to discuss the FTA further with the U.S. officials in March 2004. According to Mr. Srijatupitak, Thailand will use a framework agreement being concluded with Australia as a basis in FTA negotiations with the United States.

Non U.S. AGREEMENTS

In addition to the establishment of the ASEAN Free Trade Area (AFTA) in early 1990s, the Thai government, especially the present cabinet led by Prime Minister Thaksin Shinnawatra, has aggressively engaged in negotiating regional free trade agreements and bilateral free trade agreements. According to the Thai Department of Trade Negotiations, there are currently in the pipeline the following free trade agreements in negotiation: Thai-U.S., Thai-China, Thai-Australia, Thai-Japan, Thai-New Zealand, Thai-India, Thai-Bahrain, Thai-Peru, ASEAN-China, and BIMST-EU (BIMST represents Bangladesh, India, Myanmar, Sri Lanka, Bhutan, Nepal, and Thailand).

Thailand has made the most progress with Australia in their FTA negotiations as the two countries were able to conclude dialogue on key issues (such as tariff reduction plan, service trade liberalization, investment opportunities, etc.) in October 2003. The text of the agreement is expected to be signed in the first half of 2004 and to enter into force after legal and parliamentary processes have been completed in both countries.

Thailand also made a substantial progress in FTA negotiations with China, Bahrain, India, and Peru, by signing framework agreements.

Following is a summary of progress in FTA negotiations that Thailand has with Australia, China, Bahrain, India, and with ASEAN member countries:

Thai-Australia Free Trade Area

The agreement will deliver new trade and investment opportunities and an improved climate for commercial exchanges. The agreement is Australia’s third free trade pact. It is Thailand’s first comprehensive free trade agreement and its first with a developed country.

The most significant feature of the free trade agreement is that it will sweep away all of Thailand’s tariff and quota barriers on imports from Australia; including those for agricultural products. It also includes initiatives to free up and facilitate trade in services and two-way investment.

The agreement will contain 19 chapters and runs to more than 120 pages. It includes rules to promote cooperation and best practice in a wide range of areas such as competition policy, e.commerce, industrial standards and quarantine procedures, and includes state-of-the-art provisions to avoid and settle disputes.

The deal establishes a platform for Australia to work towards greater economic integration with the second-largest economy in south east Asia. Thailand’s economic growth performance over the past few years has been consistently strong.

Trade in goods

Australia and Thailand will eliminate virtually all tariffs on goods imported from the other country in the period between when the agreement enters into force and 1 January 2010.

At the time of entry into force of the agreement, Australia will eliminate 83.2 % of its tariffs, which account for 83.0 % of current imports from Thailand. Almost thirteen percent of Australian tariffs will be phased down to zero over the period from entry into force to 1

January 2010. For 3.9 % of Australia's tariff lines, Australia will phase its rates to zero in 2015.

In general, at the time of entry into force of the agreement, Thailand will eliminate about 49% of its tariffs, which account for 77.9 % of current imports from Australia. The products under this coverage include cereals, lac (a resinous secretion of an Asian insect), cocoa, products made from cocoa, minerals, fuel, etc. Another 50% of Thailand's tariffs will be phased down to zero over the period from entry into force to 1 January 2010. The product coverage includes vegetables, fruits, plastic, paper, textiles, steel, machinery, electric appliances, etc.

However, for sensitive agricultural and industrial products, Thailand's tariff reduction scheme will be extended at a slower pace. These sensitive products will be divided into 3 categories: 1) products with a gradual phase down to a zero tariff rate in 10 years include condensed milk, buttermilk, honey, orange, grape, processed potatoes, wine, textile products, and steel; 2) products with a gradual phase down to a zero tariff rate in 15 years include meat, milk powder, skimmed milk powder, butter, cheese, meat offal, fresh potatoes, sugar, tea, coffee, and corn; 3) products with a gradual phase down to a zero tariff rate in 20 years include fresh milk and cream.

Thailand will expand access for Australian imports under tariff rate quotas (TRQs) over a transition period that varies according to the product, with the eventual elimination of all TRQ restrictions. Australia will immediately eliminate any TRQ restrictions that it maintains.

The agreement will contain a safeguard mechanism to apply during the transition period to allow action to be taken should a surge in imports threaten a domestic industry in either country.

Consistent with the provisions of the WTO Agreement, the agreement will prohibit the use of export subsidies in trade between Australia and Thailand.

Sanitary and phytosanitary measures (SPS) and Food Standards

Australia and Thailand have agreed to establish an expert group on SPS and food standards to strengthen cooperation in this area. The expert group will implement a work program over a 2-year period from entry into force of this agreement with the aim of:

?? enhancing mutual understanding of each other's SPS, agricultural and food standards;
?? consulting on matters related to the development or application of SPS measures and other agricultural and food standards that affect or may affect trade between the Parties;
?? reviewing and assessing progress of both countries' priority market access interests;
?? consulting on requests for recognition of equivalence of SPS measures or other agricultural and food standards;
?? consulting on matters relating to the harmonization of standards;
?? coordinating capacity-building and technical cooperation programs; and
?? strengthening cooperation in the WTO, Codex Alimentarius Commission, the Office International des Epizooties, and the International Plant Protection Convention.

Thai-China Free Trade Area

On June 18, 2003, Thailand and China signed the Early Harvest Scheme on fruits, vegetables, and nuts (harmonized codes of chapter 07-08). Under the scheme, import duties on these products between two countries would be eliminated immediately on October 1, 2003.

The tariff reduction under the free trade area agreement has benefited the Chinese agricultural products (chapter 01-08) coming into Thailand, at the expense of U.S. and others' exports. However, this threat has been limited initially to fruits and nuts due to the direct competition that Chinese products present to these U.S. products in the Thai market.

Assuming that the future Thai-U.S. FTA agreement will not activate possible tariff reductions in imported U.S. fruits and nuts to Thailand prior to the year 2006, FAS/Bangkok assessed the impact of a zero-tariff given to China on U.S. exports as presented in Exhibit E.

Thai-India Free Trade Area

On October 9, 2003, Thailand and India signed a framework agreement mainly to initiate an Early Harvest Scheme. Under the scheme, both countries will gradually reduce the current applied tariff rates by 50% on March 1, 2004, by 75% on March 1, 2005, and 100% on March 1, 2006, respectively. There are 84 items of product under this scheme, including rambutans, longans, mangosteens, grapes, wheat, canned seafoods, and other industrial goods.

Thai-Bahrain Free Trade Area

Thailand and Bahrain signed a framework agreement on Common Effective Preferential (CEP) which was effective on December 29, 2002. The Early Harvest products (662 items) were reduced to zero and a 3%. Any products with 3% tariff rate would be eliminated on January 1, 2005.

As for the rest of the uncovered products (about more than 5,000 items), they will be divided into 3 groups: 1) Fast track products (about 40% of total pending items), for which tariff rates will be eliminated by January 1, 2005; 2) Normal track products (another 40%), for which tariff rates will be eliminated by January 1, 2007; and 3) Other products (about 20%), for which tariff rates will be eliminated by January 1, 2010.

ASEAN Free Trade Area

The former Thai Prime Minister Anand Panyarachun first floated the idea of an AFTA (ASEAN Free Trade Area) in June 1991. Having gathered preliminary support from other ASEAN member countries, Thailand presented in September 1991 a draft AFTA proposal, called Anand's initiative. The basic principle of the AFTA is to introduce, through the Common Effective Preferential Tariff Scheme (CEPT), tariff reductions in AFTA of all products to within 0-5% by 2003, beginning January 1, 1993, except for rice, a highly sensitive product.

There are two categories of commodities which are subject to the tariff reduction under the CEPT scheme; i.e., 1) Industrial and Agro-Industrial Products; and 2) Non-Processed Agricultural Products.

1) Industrial and Agro-Industrial Products

There are two main lists for these products:

1.1. Inclusion List (IL). The products under the inclusion list are separated into two programs, which are the Fast Track Program and the Normal Track Program:
A) The Fast Track Program: The tariff rates for products under this program were to be reduced to 0-5 percent within 7 years (by January 1, 2000). A set of 15 product groups identified for accelerated tariff reduction include oil, cement, chemicals, pharmaceuticals, fertilizer, plastics, rubber products, leather products, pulp and paper, textiles & apparels, wooden and rattan furniture, ceramics and glass products, gems and jewelry products, machinery & electrical appliances (electronics), and mineral products.
B) The Normal Track Program: The tariff rates for products under this program will be reduced to 0-5 percent within 10 years: by January 1, 2003, for original members (incl. Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand) and by January 1, 2006-2010 for new Members (incl. Cambodia, Lao PDR, Myanmar, and Vietnam).

1.2 Temporary Exclusion List (TEL). ASEAN Members are eligible to delay their tariff reduction by listing the products in TEL. Under the TEL, the members, after 3 years of tariff reduction exemption, are committed to release 20 percent of total listed items into the Inclusion List (IL) and the tariff rates for these products will be reduced to 0-5 percent within 7 years: by January 1, 2003, for original members; and by January 1, 2006-2010, for new Members.

2) Non-processed Agricultural Products

In principle, the tariff reduction under the CEPT scheme for non-processed agricultural products will start later than that for industrial and agro-industrial products, but will be ended at the same relevant year of agreement. However, this rule is not applied to commodities on the Sensitive List and Highly Sensitive List. Accordingly, there are three lists for this product category:

2.1 Inclusion List (IL). Under this scheme, original members (including Thailand) will reduce the tariff rates for products under this category to 0-5 percent by 2003. While the same committed tariff level (0-5 percent) will be applied to new members by 2006-2010.

2.2. Temporary Exclusion List (TEL). Members are able to begin their tariff reduction under this list in one year after the tariff reduction under the Inclusion List is effective. Tariff rates must reduced to 0-5 percent in the same relevant year as that in the IL.

2.3 Sensitive List (SL). The tariff reduction for the products under the SL will be the slowest. Members are committed to reduce the tariff rates to 0-5 percent within 10 years after the scheme starts. However, as some products which are considered as highly sensitive products like rice, the final tariff rates are allowed to be higher than 5 percent at the end of the scheme time frame. As for Thailand, there are seven tariff lines within four products that are in its Sensitive List: Harmonized code (6 digits); a) Coconut (120300); b) Coffee (090111, 090112 and 090130); c) Fresh Cut Flowers (060310); and d) Potatoes (070110 and 070190).

There are also General Exceptions which are those products excluded for the protection of national security, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic, and archaeological value.

Apart from tariff reduction, member countries are obliged to eliminate all quantitative restrictions (quotas, license, etc.) on CEPT products.

As regards non-tariff barriers, these shall be eliminated by member countries on a gradual basis within a period of five years enjoyment of concessions applicable to the CEPT products.

The product, which is deemed to be under the CEPT scheme, must contain local content or ASEAN content altogether at least 40 percent of the product value, and it must be on the CEPT scheme of both an importing country and an exporting country.

As one of the original ASEAN members (including Brunei, Malaysia, Philippines, and Singapore), Thailand's tariff rates for all agricultural products imported from ASEAN members, except for the 7 commodities on the Sensitive List, are subject to be 0-5% since January 1, 2003.

ASEAN-China Free Trade Area

The ASEAN-China Summit in Brunei in November 2001 agreed to establish an ASEAN-China Free Trade Area (ASEAN-China FTA) within ten years, with recognition of differences in the level of economic development among the parties. The area of economic cooperation includes: (1) agriculture; (2) information and communication technology; (3) human resources development; (4) investment; and (5) Mekong River basin development.

In the area of trade in goods, ASEAN and China agreed in principle that the tariff schedule among the parties should be reduced substantially on all trade in goods, including HS code chapters of 01 (live animals), 02 (meat and edible meat offal), 03 (fish), 04 (dairy products), 05 (other animal products), 06 (live trees), 07 (edible vegetables), and 08 (edible fruits and nuts).

Tariff Reduction and Elimination Plan

The products in the covered items, which are not covered by the Early Harvest Program, will be categorized into two Tracks: Normal Track and Sensitive Track:

(a) Normal Track: the applied MFN tariff rates* for products listed in the Normal Track will be gradually reduced or eliminated over a period from 2005 to 2010 for the ASEAN 6 (Brunei, Indonesia, Malaysia, Singapore, Thailand) and China, and in the case of the newer ASEAN member states (Cambodia, Laos, Burma, Vietnam), the period will be from 2005 to 2015.

(b) Sensitive Track: The applied MFN tariff rates for products listed in this track will be reduced in accordance with the mutual end rates and end dates as agreed by the parties.

Note: * Applied MFN tariff rates shall:
(i) in the case of ASEAN Member States (which are WTO members as of 1 July 2003) and China, refer to their respective applied rates as of 1 July 2003; and
(ii) in the case of ASEAN Member States (which are non-WTO members as of 1 July 2003), refer to the rates as applied to China as of 1 July 2003.

Early Harvest Program

In order to accelerate the implementation of this agreement, the ASEAN Parties agreed to implement an Early Harvest Program. Products covered by the Early Harvest Program will include: 1) products of HS Code Chapter 01-08, unless otherwise excluded by a Party in its Exclusion List; and 2) specific products set out in Annex 2 of the Agreement. As ASEAN 6 has no exclusion of any product, this means all commodities from Chapter 01 to Chapter 08 will be included in the Early Harvest Program.

The product categories for tariff reduction and elimination under the Early Harvest Program are broken into 3 product categories, defined as follows:

Item	China and ASEAN 6	New ASEAN States
Category 1	MFN rates >15%	MFN rates > 30%
Category 2	MFN rates 5-15%	MFN rates 15-30%
Category 3	MFN rates <5%	MFN rates <15%

The implementation time frames under the Early Harvest Program are determined as follows:

China and ASEAN 6 (Brunei, Indonesia, Malaysia, Singapore, Thailand):

Product Category	Not later than 1 Jan 2004	Not later than 1 Jan 2005	Not later than 1 Jan 2006
1	10%	5%	0%
2	5%	0%	0%
3	0%	0%	0%

China and the newer ASEAN Member States (Cambodia, Laos, Burma, Vietnam):

Country	1 Jan 2004	1Jan 2005	1Jan 2006	1Jan 2007	1Jan 2008	1Jan 2009	1Jan 2010
Vietnam:							
Product Category 1	20%	15%	10%	5%	0%	0%	0%
Product Category 2	10%	10%	5%	5%	0%	0%	0%
Product Category 3	5%	5%	0-5%	0-5%	0%	0%	0%
Laos and Burma:							
Product Category 1	-	-	20%	14%	8%	0%	0%
Product Category 2	-	-	10%	10%	5%	0%	0%
Product Category 3	-	-	5%	5%	0-5%	0%	0%
Cambodia:							
Product Category 1	-	-	20%	15%	10%	5%	0%
Product Category 2	-	-	10%	10%	5%	5%	0%
Product Category 3	-	-	5%	0-5%	0-5%	0-5%	0%

SECTION III: TRADE BARRIER CATALOG

Item	Product	Trade Impact US$ million (annually)	Restriction/Notes
1	Red meats	6.0	High duties of 51% Import permit fee applied at US$ 114/ton Non-automatic and non-transparent administration of import permit Import permit for pork has been never issued *Note: market creation and expansion*
2	Poultry meat	4.0	High duties of 51% Import permit fee applied at US$ 227/ton Non-automatic and non-transparent administration of import permit Import permit for chicken meat (excluding turkey) has been never issued *Note: market creation*
3	Dairy products	3.0	TRQs system is applied to skimmed milk, and the quota administration is untimely and uncertain Local content requirement High duties (5-30%) on other dairy products *Note: market expansion*
4	Seafood	5.0	High import duties of 60% *Note: market creation and expansion*
5	Fresh fruit	5.0	High duties of 10-60% *Note: market expansion*
6	Nuts	4.0	Duties of 10% for most products *Note: market expansion*
7	Wheat	8.0	Duty of 1.0 baht/kg (approx. US$ 25/ton)
8	Snack foods	5.0	Duties of 5-30% *Note: market expansion*
9	Frozen potatoes	6.0	High duties of 33% *Note: market expansion*
10	Processed meat products	4.5	High duties of 30-60% *Note: market expansion*
11	Processed fruit & vegetables	6.0	High duties of 30% *Note: market creation and expansion*
12	Wine	6.0	Duties altogether are almost 400% *Note: market expansion*
13	Pet foods	6.0	Duties of 9.2 % Complicated feed control regulations *Note: market creation and expansion*

SECTION IV: REFERENCE MATERIALS

EXHIBIT A

Thailand: WTO Bound Rates on Certain Agricultural Products

	PRODUCT	HARMONIZED CODE	TARIFF (WTO)						
			QUOTA	2002		2003		2004	
				(%)	Volume	(%)	Volume	(%)	Volume
1	BEEF (Fresh and Frozen)*	0201		52		51		50	
		0202							
2	BEEF OFFAL*	0206.100.007		36		33		30	
3	MEAT OF SWINE	0203.290.000		36		33		30	
4	MEAT OF SHEEP/LAMB	0204		34		32		30	
5	TURKEY	20724-20727		36		33		30	
6	SALMON,TUNAS,COD,SARDINES	0303		5		5		5	
	MACKEREL AND OTHER FISH								
7	CRABS	0306.140.001		5		5		5	
8	SCALLOPS	0307.210.006		5		5		5	
		0307.290.003							
9	POWDER MILK & CREAM	0402	X	32		31		30	
10	CHEESE & CURD	0406		36	Bt.12/kg	33	Bt.11/kg	30	Bt.10/kg
11	DRIED PEAS, BEANS,LENTILS	0713		44		42		40	
12	ALMONDS, FRESH/DRIED	'0802110001		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
	IN SHELL & SHELLED	0802120002							
13	PISTACHIOS, FRESH/DRIED	0802.500.008		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
14	ORANGE	0805.200		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
15	GRAPEFRUIT, FRESH/DRIED	0805.400.002		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
16	GRAPES, FRESH	0806.100.002		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
17	RAISINS	0806.200.004		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
18	APPLE (FRESH)	0808.100.003		36	Bt.15.00/kg	33	Bt.13.75/kg	30	Bt.12.50/kg
19	PEARS & QUINCES	0808.200.005		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
20	CHERRIES (FRESH)	0809.200.000		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
21	PEACHES, INCL NECTARINES	0809.300.002		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
22	PLUMS AND SLOES	0809.400.004		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
23	COFFEE	0901	X						
24	POPCORN	1005.90.0000	X						
25	SUNFLOWER/SUFFLOWER OIL	1512.191006		27.6	Bt.5.11/l.	27.3	Bt.5.06/l.	27	Bt.5.00/l.
	(EDIBLE)								
26	SAUSAGES	1601		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
27	SUGAR CONFECTIONERY	1704.100.007		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
		1704.900.001							
28	CHOCOLATE & FOOD PREP.	1806		44	Bt.36.80/kg	42	Bt.35.15/kg	40	Bt.33.50/kg
	WITH COCOA								
29	MILKFOOD FOR INFANTS	1901.101.009		9.2		9.1		9	
30	OTHER PREPS W/FLOUR MEAL	1901.909.004		9.2		9.1		9	
	OR STARCH								
31	BREAKFAST CEREAL	1904.10		31.4	Bt.26.19/kg	25.7	Bt.21.43/kg	20	Bt.16.67/kg
32	FROZEN FRIES	2004.100.007		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
33	JAMS, FRUIT JELLIES	2007		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
34	GROUND NUTS	2008.110.004		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
35	OTHER NUTS INC MIXTURES	2008.190		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg
36	ALMOND (ROSTED)	2008.190.014		36	Bt.30.00/kg	33	Bt.27.50/kg	30	Bt.25.00/kg

	PRODUCT	HARMONIZED CODE	TARIFF (WTO)						
			QUOTA	2002		2003		2004	
37	FRUIT & VEG JUICE	2009		44	Bt.14.72/l.	42	Bt.14.06/l.	40	Bt.13.40/l.
38	INSTANT COFFEE	2101.110.010	X						
		2101.120.010							
39	INSTANT TEA	2101.200.016		44		42		40	
40	TOMATO KETCHUP	2103.200.004		36	Bt 9.00/kg.	33	Bt. 8.25/kg.	30	Bt. 7.50/kg.
41	MUSTARD	2103.300.006		36	Bt 15.00/kg.	33	Bt. 13.75/kg.	30	Bt. 12.50/kg.
42	OTHER SAUCES & PREP	2103.909.099		44	Bt. 11.04/kg.	42	Bt. 10.55/kg.	40	Bt. 10.05/kg.
43	SOUPS & BROTHS &	2104.100.008		31.4	Bt. 5.36/kg.	25.7	Bt. 4.43/kg.	20	Bt.3.50/kg.
	PREPARATION	2104.200.004							
44	ICE CREAM	2105.000.001		44		42		40	
45	OTHER FOOD PREP	2106.900		31.4		25.7		20	
46	BEER	2203.000.001		62	Bt. 25.8/l.	61	Bt. 25.4/l.	60	Bt. 25.00/l.
47	CHAMPAGNE	2204.100.104		55.2	Bt. 18.4/l.	54.6	Bt. 18.2/l.	54	Bt. 18.00/l.
48	OTHER SPARKLING WINES	2204.100.907		55.2	Bt. 18.4/l.	54.6	Bt. 18.2/l.	54	Bt. 18.00/l.
49	WINE	2204210001		55.2	Bt. 18.4/l.	54.6	Bt. 18.2/l.	54	Bt. 18.00/l.
		2204290009							
50	WHISKIES	2208.300.004		62	Bt. 124/l.	61	Bt. 122/l.	60	Bt. 120/l.
51	DOG&CAT FOOD	2309.100.108		9.2		9.1		9	
		2309.100.905							

Remark: *Inspection fee by Livestock Department is equal to Baht 5/kg. for beef and Baht 20/kg. for offals

EXHIBIT B

Thailand: The Changes in Applied Tariffs for Agricultural Products in 2003

Chapter	Description	Tariff Changes
01	Live animals	The tariff rate on live cattle, not for breeding, was down from 10% to 5%; otherwise down from 40% to 30%.
02	Meat and edible meat offal	Down from 60% to 30-50%.
03	Fish and crustaceans, etc.	Down from 60% to 5-30%.
04	Dairy products, eggs, honey, etc	Tariff rates on butter, cheese, and curd were reduced from 60% to 30%
05	Products of animal origin, not elsewhere specified or included	Tariff on only few items was reduced; for example, skin and other parts of birds, down from 35% to 10%.
06	Live trees and other plants; bulbs, roots, etc	Tariff for cut flowers was down from 60% to 54%, while that for foliage, branches, and other parts of plants, without flowers was reduced from 60% to 30%
07	Edible vegetables and certain roots and tubers	Mostly reduced from 60% to 30-40%.
08	Edible fruit and nuts	Tariff on other nuts (almonds, hazelnuts, walnuts, chestnuts, and pistachios) remain unchanged at 50 baht/kg to 10% or 8.50 baht/kg. Fresh apples: unchanged at 10% or 3 baht/kg. Fresh pears and quinces: down from 60% or 30 baht/kg to 30% or 15 baht/kg. Otherwise was down from 60% to 50%.
09	Coffee, tea, mate and spices	Mate tariff was reduced from 60% to 30%, and tariff rates for most of other products were down from 30% to 27%.
10	Cereals	Tariff rate for wheat grains was down from 1.00 baht to 0.10 baht/kg; otherwise was 2.75 baht/kg.
11	Products of the milling industry, including malt, starches, etc.	Wheat flour tariff was reduced from 2.75 baht/kg to 1.85 baht/kg, otherwise down from 40% or 2.75 baht/kg to 30% or 2.25 baht/kg.
12	Oilseeds and miscellaneous grains	Tariff on soybeans remain unchanged at 6% or 0.30 baht/kg; copra - 0.65 baht/kg); castor oil seed - 5%; low-fat flour and meal of soybeans - 10% or 0.30 baht/kg). Otherwise was reduced from 35-60% to 23-30%.
13	Lac, gums, and other vegetable saps and extracts	Tariff on most items was reduced from 15-30% to 5-27%.
14	Vegetable plaiting materials, etc.	Bamboo and rattan tariff remains zero; dyeing and tanning materials derived from vegetable remain at 20%; and otherwise down 35% to 30%.
15	Animal and vegetable fats and oils	Tariff on about 40% of total items in the chapter remain unchanged at 10%, or 1.32 baht/liter, otherwise down from 30% to 27%.
16	Preparations of meat, of fish or of crustaceans, etc.	Tariff on all meat products originating from livestock and poultry meat remain unchanged at 30% or 30 baht/kg; fish meat products down from 30% or 100 baht/kg to 20% or 65 baht/kg; otherwise remain unchanged at 60%.
17	Sugars and sugar confectionary	Tariff on a few products was reduced from 20% to 10%; cane molasses down from 65% to 30-40%; otherwise remain unchanged
18	Cocoa and cocoa preparations	Tariff on cocoa beans was reduced from 30% to 27%; cocoa butter, fat, and oil down from 10% to 5%.
19	Preparations of cereals, flour, etc	Product preparations for infant who is lactose-intolerance was down from 40% to 5%; some prepared foods, sweet biscuits, waffles, and wafers down from 30% to 20%; otherwise remains unchanged.
20	Preparations of vegetables, fruit, nuts, etc	Tariff on all products (including french fries) remains unchanged at 30%.
21	Miscellaneous edible preparations	Tariff on some products was reduced from 30% to 1-20%.
22	Beverages, spirits and vinegar	Tariff on water, including mineral water and aerated water remain unchanged at 30%; sparkling wine, gin, and geneva down from 60% to 54%; otherwise remain unchanged at 60%.
23	Residues and wastes from food industries, and prepared animal feed	Tariff on meat and bone meals remain unchanged at 1%, fishmeal with a protein level less than 60% unchanged at 6%, soymeal unchanged at 6%. Tariff rates for most of other meals were reduced from 10% to 5-9%.
24	Tobacco and manufactured tobacco substitutes	Tariff on non-manufactured tobacco leave, cigarettes, cigars, and other manufactured tobacco remain unchanged at 60%.

EXHIBIT C

THAILAND: Tariff-rate Quotas of Agricultural Products for Market Access, 1995-2004. (Unit: Metric Ttons)										
Items	Tariff	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	(%)										
Milk & Cream	20.0	2,286	2,299	2,311	2,324	2,337	2,349	2,362	2,375	2,387	2,400
Skim milk	20.0	45,000	46,111	47,222	48,333	49,444	50,556	51,667	52,778	53,889	55,000
Potatoes	27.0	288	290	291	293	294	296	297	299	300	302
Onion	27.0	348	350	352	354	356	357	359	361	363	365
Garlic	27.0	62	62	63	63	63	64	64	64	65	65
Coconut	20.0	2,312	2,325	2,338	2,350	2,363	2,376	2,389	2,401	2,414	2,427
Copra	20.0	694	745	797	848	900	951	1,003	1,054	1,106	1,157
Coffee bean	30.0	5	5	5	5	5	5	5	5	5	5
Tea	30.0	596	600	602	606	609	612	615	619	622	625
Pepper	27.0	43	43	43	44	44	44	44	45	45	45
Corn	20.0	52,096	52,385	52,675	52,964	53,253	53,543	53,832	54,121	54,411	54,700
Rice	30.0	237,863	239,185	240,506	241,828	243,149	244,471	245,792	247,114	248,435	249,757
Soybean	20.0	10,402	10,460	10,518	10,575	10,633	10,691	10,749	10,806	10,864	10,922
Onion Seeds	30.0	3	3	3	3	3	3	3	3	3	3
Soybean oil	20.0	2,173	2,185	2,197	2,209	2,221	2,233	2,245	2,257	2,269	2,281
Palm & Palm	20.0	4,629	4,655	4,680	4,706	4,732	4,757	4,783	4,809	4,834	4,860
kernel oil											
Coconut oil	20.0	382	384	386	388	390	393	395	397	399	401
Sugar	65.0	13,105	13,177	13,251	13,323	13,396	13,469	13,542	13,614	13,687	13,760
Instant coffee	40.0	128	129	129	130	131	131	132	133	133	134
Soybean meal	20.0	219,580	220,800	222,020	223,240	224,460	225,679	226,899	228,119	229,339	230,559
Tobacco Leaf	60.0	6,129	6,163	6,197	6,231	6,265	6,299	6,333	6,367	6,401	6,435
Raw silk	30.0	460	463	465	468	470	473	475	478	480	483
Dried longan	30.0	5	5	6	6	6	7	7	7	8	8
Source: Department of Business Economics, Ministry of Commerce.											

EXHIBIT D

THAILAND: Out-Quota Tariff-rate of Agricultural Products for Market Access, 1995-2004. (Unit: Percent)

	Items	Base (%)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	Milk & Cream	46.0	45.5	45.0	44.5	44.0	43.5	43.0	42.5	42.0	41.5	41.0
	Flavored milk	93.0	92.1	91.2	90.3	89.4	88.5	87.6	86.7	85.8	84.9	84.0
2	Skim milk	240.0	237.6	235.2	232.8	230.4	228.0	225.6	223.2	220.8	218.4	216.0
3	Potatoes	139.0	137.6	136.2	134.8	133.4	132.0	130.6	129.2	127.8	126.4	125.0
4	Onion	158.0	156.4	154.8	153.2	151.6	150.0	148.4	146.8	145.2	143.6	142.0
5	Garlic	63.0	62.4	61.8	61.2	60.6	60.0	59.4	58.8	58.2	57.6	57.0
6	Coconut	60.0	59.4	58.8	58.2	57.6	57.0	56.4	55.8	55.2	54.6	54.0
7	Copra	40.0	39.6	39.2	38.8	38.4	38.0	37.6	37.2	36.8	36.4	36.0
8	Coffee bean	100.0	99.0	98.0	97.0	96.0	95.0	94.0	93.0	92.0	91.0	90.0
9	Tea	100.0	99.0	98.0	97.0	96.0	95.0	94.0	93.0	92.0	91.0	90.0
10	Pepper	57.0	56.4	55.8	55.2	54.6	54.0	53.4	52.8	52.2	51.6	51.0
11	Corn	81.0	80.2	79.4	78.6	77.8	77.0	76.2	75.4	74.6	73.8	73.0
12	Rice	58.0	57.4	56.8	56.2	55.6	55.0	54.4	53.8	53.2	52.6	52.0
13	Soybean	89.0	88.1	87.2	86.3	85.4	84.5	83.6	82.7	81.8	80.9	80.0
14	Onion Seeds	242.0	239.6	237.2	234.8	232.4	230.0	227.6	225.2	222.8	220.4	218.0
15	Soybean oil	162.0	160.4	158.8	157.2	155.6	154.0	152.4	150.8	149.2	147.6	146.0
16	Palm & Palm kernel oil	159.0	157.4	155.8	154.2	152.6	151.0	149.4	147.8	146.2	144.6	143.0
17	Coconut oil	58.0	57.4	56.8	56.2	55.6	55.0	54.4	53.8	53.2	52.6	52.0
18	Sugar	104.0	103.0	102.0	101.0	100.0	99.0	98.0	97.0	96.0	95.0	94.0
19	Instant coffee	55.0	54.4	53.8	53.2	52.6	52.0	51.4	50.8	50.2	49.6	49.0
20	Soybean meal	148.0	146.5	145.0	143.5	142.0	140.5	139.0	137.5	136.0	134.5	133.0
21	Tobacco Leaf	80.0	79.2	78.4	77.6	76.8	76.0	75.2	74.4	73.6	72.8	72.0
22	Raw silk	257.0	253.9	250.8	247.7	244.6	241.5	238.4	235.3	232.2	229.1	226.0
23	Dried longan	59.0	58.4	57.8	57.2	56.6	56.0	55.4	54.8	54.2	53.6	53.0

SOURCE: Department of Business Economics, Ministry of Commerce.

EXHIBIT E

Potential impact on U.S. agricultural exports to Thailand

The tariff reduction under the free trade area agreement will immediately benefit the Chinese agricultural products (chapter 01-08) coming into Thailand, at the expense of U.S. and others' exports. However, it is anticipated that this threat should be limited initially to fruits and nuts due to the direct competition that Chinese products present to these U.S. products in the Thai market.

Tariff rates applied to U.S. and Chinese agricultural products in 2004-2006 under the ASEAN-China Free Trade Agreement's Early Harvest Program

Commodity	U.S.A.			China		
	2004	2005	2006	2004	2005	2006
Dried peas, beans, lentils	40%	n/a	n/a	10%	5%	0%
Other nuts (mostly almonds)	10%	10%	10%	5%	0%	0%
Grapes, fresh	30%	n/a	n/a	10%	5%	0%
Raisins	30%	n/a	n/a	10%	5%	0%
Apple, fresh	10%	10%	10%	5%	0%	0%
Pears & quinces	30%	n/a.	n/a	10%	5%	0%
Plum & sloes	40%	n/a	n/a.	10%	5%	0%

Note: The tariff schedule for most agricultural products imported from the U.S., a WTO member, is not yet available, reflecting the pending WTO trade negotiations.

Thailand's imports of U.S. and Chinese fruits and nuts during 2000-2002

Commodity	U.S.A. (unit: USD 1,000)			China (unit: USD 1,000)		
	2000	2001	2002	2000	2001	2002
Dried peas, beans, lentils	108.8	211.0	171.4	595.5	762.6	787.7
Other nuts (mostly almonds)	1,249.2	1,457.1	1,589.7	72.2	30.5	14.4
Grapes, fresh	4,019.0	3,867.6	3,999.3	0	14.1	24.0
Raisins	239.0	277.8	235.9	0	3.0	4.0
Apple, fresh	14,054.4	16,608.8	11,744.6	18,436.7	18,188.2	19,460.8
Pears & quinces	2.3	23.1	0.5	1,389.1	1,492.9	3,224.4
Plum & sloes	129.7	94.2	56.3	1.0	1.0	0

The possible impact on U.S. exports of fruits and nuts in 2004-2006

In 2004, China will begin to enjoy import duties of 10% on its exports of fruits and nuts to Thailand, against 30-40% tariff rates on most U.S. products, except for the tariff rate of 10% on fresh apples and unprocessed nuts. While the import duties on most U.S. products in 2005 and 2006 are not available yet, import duties for Chinese products will be reduced to 5% in 2005 and 0% in 2006. While Chinese products will be much cheaper than U.S. products, trade sources reported that the present quality of Chinese products are generally inferior to U.S. product quality and that it may take several years to improve their product quality to be on par with U.S. products.

It is anticipated that, due mainly to the price disadvantage, U.S. exports of fruits and nuts toThailand could be reduced by 15-20%, from USD 18.1 million in 2003 to USD 15.0 million in 2006. According to trade sources, the heaviest hit items in U.S. exports will be apples, dried beans and raisins, reflecting the substitutability between these U.S. and Chinese products. The analysis of the possible reduction in U.S. exports of fruits and nuts is indicated as follows:

Commodity	U.S.A. (unit: USD 1,000)				
	2002	2003	2004	2005	2006
Dried peas, beans, lentils	171.4	160	120	100	80
Other nuts (mostly almonds)	1,589.7	1,620	1,550	1,530	1,500
Grapes, fresh	3,999.3	4,020	3,990	3,800	3,700
Raisins	235.9	240	180	120	100
Apple, fresh	11,744.6	12,000	10,500	10,000	9,600
Pears & quinces	0.5	0.5	0.5	0.5	0.5
Plum & sloes	56.3	55	40	30	20
Total	17,797.7	18,095.5	16,380.5	15,580.5	15,000.5

End of Report.