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Thailand

Agricultural Situation

Thailand Tariff Reductions under AFTA

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Report Highlights:
A review of Thailand's import duty reductions under the ASEAN Free Trade Area (AFTA) and the proposal to accelerate these reductions.

Includes PSD changes: No
Includes Trade Matrix: Nos
Unscheduled Report
Bangkok [TH1], TH

As ASEAN (Association of Southeast Asian Nations) entered 1990, it faced both internal and external factors conducive to economic cooperation. Rapid industrialization had fueled trade in industrial goods, making trade more complementary than competitive among ASEAN countries. The share of manufactured goods in ASEAN is total exports to the world soared dramatically from 21.8% in 1980 to 59.8% in 1990, for intra-ASEAN trade, the share of manufactured goods rose from 28.2% to 61.2%. The rapid increase in total trade has made ASEAN as a group the fouth largest trading region in the world after the US, EU, and Japan.

The idea of AFTA (ASEAN Free Trade Area) was first floated in June 1991 by the Thai Prime Minister Anand Panyarachun. Having gathered preliminary support from other ASEAN member countries, Thailand came up in Septermber 1991 with draft AFTA proposal called Anand's initiative. The basic principle of 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 as a highly sensitive product.

There are two programs of tariff reduction under the CEPT scheme: The Fast Track Program and the Normal Track Program.

The Fast Track Program:

a. Tariffs above 20% will be reduced to 0-5% within 7 years (by January 1, 2000).
b. Tariffs at 20% and below will be reduced to 0-5% within 5 years (by January 1, 1998).

The Fast Track Program covers a set of 15 product groups identified for accelerated tariff reduction as follows:

-Oil	-Cement
-Chemicals	-Pharamaceuticals
-Fertilizer	-Plastics
-Rubber products	-Leather products
-Pulp and paper	-Textiles & apparels
-Wooden and rattan furniture	-Cetamics and glass products
-Gems and jewelry products	-Machinery & electrical appliances
-Mineral products	(Electronics)

The Normal Track Program:

a. Tariffs above 20% will be reduced in two stages:
   -first, to 20% within 5 years (by January 1, 1998); and
   -subsequently, from 20% to 0-5% in 5 years (by January 1, 2003).
b. Tariffs of 20% and below will be reduced to 0-5% within 7 years (by January 1, 2000).

Sensitive products not ready to be included in the CEPT, may be excluded temporarily. However, they are required to be transferred into the Inclusion List 20% annually, starting from January 1, 1996. There are seven tariff lines within four products that are in Thailand's sensitive list:

Harmonized code (6 digits)

a. Coconut - 120300
b. Coffee - 090111, 090112 and 090130
c. Fresh Cut Flowers - 060310
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.

Status of Implementation

The product coverage in the CEPT scheme is the most comprehensive ever in any ASEAN trading arrangement. For instance, more than 90% of the total tariff lines in ASEAN are already inclued in the CEPT scheme. These tariff lines account for more than 81% of intra-ASEAN trade values.

Since the inception of AFTA intra-ASEAN exports registered significant increases. The total Intra-ASEAN export of the CEPT products has increased to 6.23% (total US$ 350.9 billion for 1996 as compared to total US$ 343.5 billion for 1997). The member countries experiencing the highest growth rate in 1997 are Malaysia (4.3%), Thailand (8.1%) and the Philippines (29%).

The total Intra-ASEAN import of the CEPT products has increased to1.2% (total US$ 350,952.7 million for 1996 as compared to total US$ 355.1 billion for 1997). The member countries experiencing the highest growth rate in 1997 are Malaysia (2.2%), Singapore (9.1%) and the Philippines (24.8%). All member countries benefited from these increases. Intra-ASEAN trade has significantly increased both in terms of percentage share and the rate of growth. Certainly AFTA has resulted in creating trade among member countries.

Since 1993, tariff rates of each member country have been reduced continously. The average tariff lines for all ASEAN countries is estimated at 6.95% in 1997 and projected to decline to 4.02% by the year 2000. It is expected that the average tariff for all sectors will be 2.89%.

Based on the responses by member countries, the ASEAN Secretariat has prepared the products list for the 1998 CEPT package. The 1998 package contains a total of 55,527 tariff lines. It comprises 45,996 tariff lines (82.44% of total tariff lines) in the Inclusion List; 8,540 tariff lines (15.35% of total tariff lines) in the Temporary Exclusion List; 363 tariff lines (0.65% of total tariff lines) in the Sensitive List and 866 tariff lines (1.56% of total tariff lines) in the General Exception List. The detail list appears in the following table.

The 1998 CEPT Package

(No. of Tariff Lines)

Country	Inclusion	Temporary Exclusion	Sensitive	General Exception	Total
Brunei	6,105	135	14	239	6,493
Indonesia	6,676	541	4	45	7,266
Laos	533	2,822	96	102	3,553
Malaysia	8,621	276	104	63	9,064
Maynmar	2,356	2,987	21	108	5,472
Philippines	5,202	380	71	28	5,681
Singapore	5,739	0	0	120	5,859
Thailand	9,046	73	7	n.a.	9,126
Vietnam	1,718	1,141	23	131	3,013
Total	45,996	8,355	340	836	55,527
Percentage	82.8	15.1	0.6	1.5	100.0

While the tariffs remain within the acceptable range, ASEAN will still have to dismantle its Quantitative Restrictions (Qrs) and Non-Tariff Barriers (NTBs). This is of interest to ASEAN especially when new members join ASEAN. Under AFTA, QRs on products in the Inclusion Lists are set to be eliminated by the year 2003, while NTBs are sit to be eliminated within 5 years of the enjoinment of concessions. QRs and NTBs on products falling under the category of Temporary Exclusion Lists, Sensitive Lists and General Exception Lists will not be touched until the products have been moved to the Inclusion Lists.

To ensure that AFTA is realized expeditiously, other trade facilitation measures are also being undertaken. These include harmonization of customs matters (tariff nomenclature, customs valuation systems, customs procedures and the establishment of Green Lane System to help expedite clearance for CEPT products). Considerable work is also being done to harmonize product standards to facilitate intra-ASEAN trade. A list of 20 priority product groups including some major consumer durables, has already been identified.

In keeping with the principle of open regionalism, ASEAN has been pursuing regional linkages with other regional trading arrangements. The AFTA-CER linkage was the first of these linkages and the activities include creation of a customs compendium, information exchange on standards and conformance including collaborative work on ISO 14000 and linkage of trade and investment databases. Similar initiatives are being pursued with other regional groupings such as the North American Free Trade Agreement (NAFTA), the Mercado Commmun del Sur (MERCOUR) the European Free Trade Association (EFTA) and the South African Development Community (SADC).

To accelerate the AFTA, the leaders agreed that the six original signatories to the Agreement on the CEPT

Scheme for the AFTA — Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand would advance the implementation of AFTA by one year from 2003 to 2002. They also agreed to achieve a minimum of 90% of their total tariff lines with tariffs of 0-5% by the year 2000, which would account for 90% of intra-ASEAN trade.

Individually, each country would commit to achieve a minimum of 85% of the Inclusion List with tariff of 0-5% by the year 2000. Thereafter, this would be increased to a minimum of 90% of the Inclusion List in the 0-5% tariff range by the year 2001. By 2002, 100% of items in the Inclusion List would have tariffs of 0-5% with some flexibility.

Member Countries also agreed to deepen, as soon as possible, tariff reduction to 0% and accelerate the transfer of products, which are currently not included in the tariff reduction scheme, into the Inclusion List.

The new members of ASEAN shall maximise their tariff lines between 0-5% by 2003 for Vietnam and 2005 for Laos and Myanmar; and expand the number of tariff lines in the 0% category by 2006 for Vietnam and by 2008 for Laos and Myanmar.

% of Number of Tariff Lines in the Inclusion List between 0-5% by the year 2002

Country	Inclusion	No.of Tariff Lines between 0-5% by 2000	% of Tariff Lines in IL between 0-5% by 2000	No. of Tariff Lines to be added		
				in 2000 (85%)	in 2001 (90%)	in 2002 (100%)
Brunei	6,105	6,027	98.7	Standstill	Standstill	78
Indonesia	6,622	5,942	89.7	Standstill	18	662
Malaysia	8,621	7,686	89.2	Standstill	73	862
Philippines	5,202	3,733	71.5	689	260	520
Singapore	5,739	5,739	100	Standstill	Standstill	Standstill
Thailand	9,046	6,420	71	1,269	452	905
Total	**41,335**	**35,547**	**520**	**1,958**	**803**	**3,027**

Source: ASEAN Secretariat

The agricultural items within the Temporary Exclusion List for Thailand which will be transfered into the Inclusion List by 2000 are as follows:

Package of Agricultural Products for Thailand

No.	Sub-Group 9 Digits	Description of Goods	Indicative	Base rate (%)
1	1507.10.000	Crude soybean oil, whether or not degummed	E	1.32 Baht/Liter
2	1507.90.010	Inedible soybean oil	E	1.32 Baht/Liter
3	1507.90.021	Soybean oil	E	1.25 Baht/Liter
4	1507.90.029	Other	E	2.50 Baht/Liter
5	1511.10.000	Crude palm oil	E	0.99 Baht/Liter
6	1511.90.011	Palm oil and its fractions, not refined but not chemically modified	E	0.99 Baht/Lier
7	1511.90.019	Other	E	1.32 Baht/Liter
8	1511.90.020	Edible	E	2.50 Baht/Liter
9	1513.11.000	Crude coconut oil	E	0.99 Baht/Liter
10	1513.19.011	Coconut oil, and its fractions other than crude oil	E	0.99 Baht/Liter
11	1513.19.019	Other	E	1.32 Baht/Liter
12	1513.19.020	Edible coconut oil	E	2.50 Baht/Liter
13	1513.21.001	Babassu oil or plam kernel oil and their fractions	E	1.88 Baht/Liter
14	1513.21.009	Other	E	2.50 Baht/Liter
15	1513.29.001	Babassu oil, inedible	E	1.88 Baht/Liter
16	1513.29.009	Other	E	2.50 Baht/Liter

17	2203.00.000	Beer made from malt	E	60.00
18	2208.20.010	Brandy	E	60.00
19	2208.30.000	Whiskies	E	60.00
20	2401.10.009	Tobacco	E	60.00
21	2401.20.004	Of the other type, not flue-cured	E	45.00
22	2401.20.009	Other	E	60.00
23	2402.90.010	Cigarettes	E	22.50
24	2402.90.090	Other	E	60.00
25	2403.91.000	"reconstituted" tobacco	E	60.00
26	2403.99.001	Snuff	E	30.00
27	2403.99.009	Manufacturing tobacco	E	60.00

SOURCE: Department of Business Economics, Ministry of Commerce.

The 90% of the total tariff lines which will be deducted to 0-5% by the year 2000 is as follow:

Country	Inclusion	TEL, SL, GE	Total tariff line	No.of Tariff Lines with 0-5% by 2000	% of Tariff Lines
Brunei	6,105	388	6,493	6,027	92.8
Indonesia	6,622	590	7,212	4,942	82.4
Malaysia	8,621	443	9,064	7,686	84.8
Philippines	5,202	473	5,681	3,733	65.7
Singapore	5,739	120	5,859	5,739	98.0
Thailand	9,046	80	9,126	6,420	70.3
Total	**41,335**	**2,094**	**43,435**	**35,547**	**82.3**

Note: 1. 90% of Total Tariff Lines in the Inclusion List is 30,092 tariff lines. However, according to the tariff reduction schedule of the six ASEAN memeber countries only 35,547 tariff lines can be achieved and therefore another 3,544 tariff lines to be further reduced.

2. According to the tariff reduction schedule, Indonesia, Malaysia, the Philippines and Thailand would have not yet reached the target of 90% of Total Tariff Lines.

3. There are two althernatives to obtain the target:

Althernative 1: Divide the 3,544 tariff lines that needs to be further reduced by four and each country (Indonesia, Malaysia, the Philippines and Thailand) will have to reduce 886 tariff lines in addition.

Althernative 2: Taking the number of tariff lines that has exceeded 90% of Singapore's and Brunei's and divide it by four and transfer equally to the rest four countries. Then the four countries would have to top up until their tariff lines reach 90%.