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**Report Name:** The Impact of RCEP on US Agricultural Exports to Thailand

**Country:** Thailand

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**Prepared By:** Ponnarong Prasertsri, Agricultural Specialist

**Approved By:** Eric Mullis

**Report Highlights:**

The Regional Comprehensive Economic Partnership (RCEP) is expected to have a marginal impact on U.S. agricultural exports to Thailand. Fish products will see the largest reductions of tariffs for agricultural products important to the United States, but the effect will be marginal as the tariff reduction on high tariff-rate products will gradually decline to zero within 10-15 years.

## **Executive Summary**

On November 15, 2020, ASEAN<sup>1</sup> members, including Thailand, officially signed the Regional Comprehensive Economic Partnership (RCEP) agreement with five other countries in the Asia Pacific region, consisting of Australia, China, Japan, New Zealand, and South Korea. The free trade agreement is scheduled to go into effect by mid-2021.

The impact of RCEP on U.S. agricultural exports to Thailand is expected to be marginal. Most of the major commodities, especially wheat and raw cotton, have been imported duty free prior to the RCEP agreement due to insufficient domestic production. Some intermediated agricultural products, such as distillers dried grains with solubles (DDGS), can be imported duty free from member countries after RCEP goes into effect by mid-2021. However, U.S. DDGS exports to Thailand are unlikely to be affected as other RCEP members are net importers of DDGS. In addition, RCEP is expected to have a marginal impact on U.S. consumer oriented agricultural products in Thailand. Most consumer oriented agricultural products from member countries have already been imported duty free prior to RCEP through the ASEAN free trade agreement and separate free trade agreements that Thailand has with Australia, China, Japan, New Zealand, and South Korea. RCEP does eliminate the tariffs for several fish products from member countries. The impact on U.S. fish products exports to Thailand, however, will be marginal as the products that will see the immediate elimination of tariffs already have a low tariff rate of 5 percent. The fish products that currently have high tariff rates (20-30%), like frozen crabs and shrimps, will see their tariff rates gradually decline to zero over a 10-15 year period.

### **1. Background**

On November 15, 2020, ASEAN members, including Thailand, officially signed the Regional Comprehensive Economic Partnership (RCEP) agreement with five countries in Asia Pacific region, consisting of Australia, China, Japan, New Zealand, and South Korea. Each of the five non-ASEAN countries already had separate free trade agreement with ASEAN. RCEP was initiated by ASEAN members in 2012. India was a part of the negotiations but postponed its plan to join RCEP in 2020 due to concerns about agricultural tariffs and the possible economic impact from a surge of imported products, particularly from China. India currently does not have a free trade agreement with China, Australia, or New Zealand.

### **2. RCEP Impact on Agricultural Trade Structure in Thailand**

RCEP will be the world's largest free trade agreement among 15 countries in the Asia-Pacific region. Despite having withdrawn, India could still join the agreement later. Should India join, RCEP will account for around one third of the world economy, accounting for around 29 percent of global trade. The population of the member countries will be around 47 percent of the global population. Thailand's trade with RCEP was around U.S. \$269 billion annually over the past five years (2015-2019), accounting for around 60 percent of its total trade. Thailand has a net trade deficit of around U.S. \$5.5

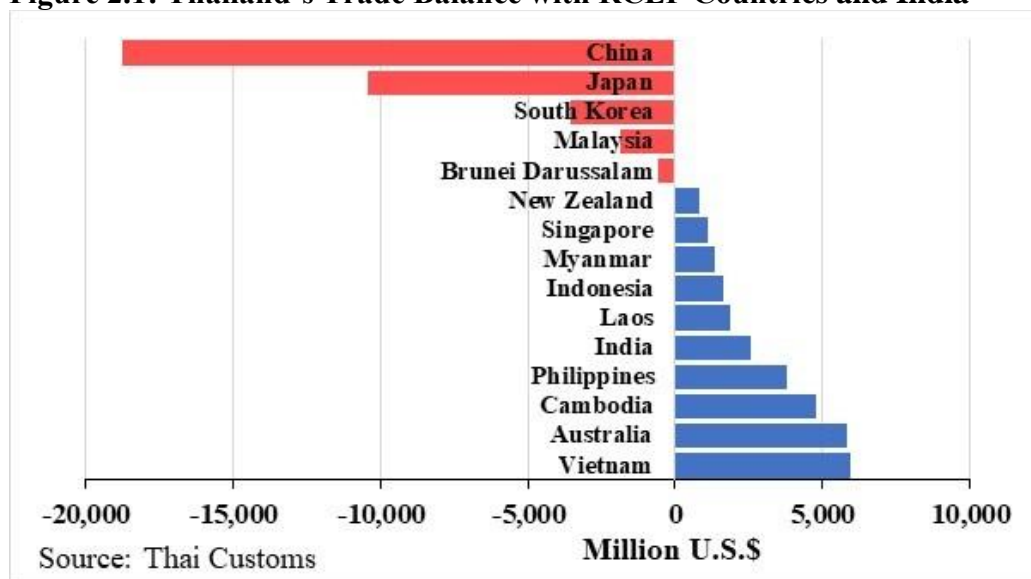
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<sup>1</sup> ASEAN (Association of Southeast Asian Nations) is a regional intergovernmental organization comprising ten countries in Southeast Asia which consists of Indonesia, Thailand, Singapore, Malaysia, Philippines, Vietnam, Brunei, Cambodia, Myanmar, and Laos.

billion annually over the past five years (2015-2019), mainly with non-ASEAN countries including China, Japan, and South Korea (Figure 2.1).

The impact on Thai agricultural trade is expected to be marginal as the tariff rates on most of the commodities are already at 5 percent or duty free between ASEAN member countries. In addition, around 85-90 percent of all agricultural products imported from China, Japan, South Korea, Australia, and New Zealand are already duty free.

**Figure 2.1: Thailand’s Trade Balance with RCEP Countries and India**



### 3. The Impact of RCEP on U.S. Agricultural Exports to Thailand

In 2019, Thailand was the 16<sup>th</sup> largest export market for U.S. agricultural products valued at U.S. \$1.9 billion (Table 3.1), of which around 73 percent are bulk and intermediate commodities, mainly wheat (U.S. \$162 million), raw cotton (U.S. \$215 million), soybeans (U.S. \$524 million), and distillers grains (U.S. \$122 million). Thailand relies heavily on imports of these bulk and intermediate agricultural products from non-RCEP countries. Most of these bulk commodities have been imported duty free from all countries prior to RCEP due to insufficient domestic production. The tariffs of intermediated agricultural products that are not already duty free to RECP member countries, such as DDGS, will be eliminated once the agreement goes into effect. However, U.S. DDGS exports to Thailand, which are subject to a 9 % tariff rate, are unlikely to be affected as other RCEP members are net importers of DDGS. The United States has already exported U.S. \$121 million worth of DDGS in 2020, accounting for around 25 percent of the total value of U.S. intermediated agricultural exports to Thailand.

**Table 3.1: U.S. Agricultural Exports to Thailand in 2019**

<b>Agricultural Products</b>	<b>Value (U.S. \$ Million)</b>	<b>Percentage Share</b>
Bulk Commodity	908	46.8
Intermediate Products	511	26.3
Consumer Oriented	406	20.9
Others (Distiller Spirits, Forest, and Fish Products)	118	6.1
<b>Total</b>	<b>1,943</b>	<b>100.0</b>

Source: BICO

**Table 3.2: Thailand's Tariff Rate on Consumer-Oriented Agricultural Products in 2020**

<b>Consumer-Oriented Products</b>	<b>U.S.</b>	<b>ASEAN</b>	<b>China</b>	<b>Japan</b>	<b>South Korea</b>	<b>Australia</b>	<b>New Zealand</b>
Dairy products	5-30%	0%	0%	0%	0%	0%	0%
Fresh Fruits	10-40%	0%	0%	0%	0%	0%	0%
Processed Fruit	30-40%	0%	0%	0%	0%	0%	0%
Processed Veg & Pulses	30-40%	0%	0-5%	0%	0%	0%	0%
Fresh Vegetables	40%	0%	0%	0%	0%	0%	0%
Tree nuts	10-40%	0%	0%	0%	0%	0%	0%
Snack Foods	10-30%	0%	0%	0%	0%	0%	0%
Breakfast cereal/Pancake Mix	20-30%	0%	0%	0%	0%	0%	0%
Condiments and Sauces	30%	0%	0%	0%	0%	0%	0%
Pet Food	9%	0%	5%	0%	0%	0%	0%
Poultry meat	30-40%	0%	0%	0%	0%	0%	0%
Red meat, Fresh	30-50%	0%	0%	0%	0%	0%	0%
Red meat, processed	30-50%	0%	0%	0%	0%	0%	0%
Wine and Beer	54-60%	0%	0%	0%	0%	0%	0%

Source: Thai Customs, Ministry of Finance

RCEP is expected to have a marginal impact on the market share of U.S. consumer-oriented agricultural products in Thailand as most consumer-oriented agricultural products from RCEP member countries have been imported duty free prior to RCEP through the ASEAN free trade agreement and separate free trade agreements with Australia, China, Japan, New Zealand, and South Korea (Table 3.2). Fish products imported into Thailand from RCEP member countries will see the largest gains from RCEP. However, the gains will only moderately impact the market share of U.S. fish products in Thailand. Most fish products imported into Thailand, such as frozen pollack, already face low tariff rates of 5 percent. In addition, the tariff rate of fish products from Australia was already scheduled to be eliminated in 2020 under the Thai-Australian free trade agreement. Fish products with current high tariff rates (20-30%), such as frozen crabs and shrimp, will gradually decline to zero in 10-15 years and could present challenges for U.S. products in the future. In 2019, U.S. exports of fish products to Thailand were valued at U.S. \$92 million, accounting for approximately 5 percent of total U.S. agricultural exports to Thailand.

U.S. exports of agricultural consumer-oriented products to Thailand have been declining since 2006 due to competitor countries establishing free trade agreements with Thailand. The United States lost market share in dairy products, processed vegetables and pulses, fresh fruit, snack foods, condiments and sauces, breakfast cereals, and pet food. The import value of these product categories totaled U.S. \$148 million in 2019, accounting for 36 percent of total U.S. agricultural consumer-oriented product exports to Thailand (Please see [TH9006: The Impact of Thailand's FTAs on U.S. Agri-Food Exports, May 2019](#)).

End of report.

**Attachments:**

No Attachments.