



**Asia-Pacific
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Session 2

Best Practices on Free Trade Agreement Promotion Policies - Thailand

Submitted by: Thailand



**Workshop on Increasing Free Trade
Agreement Utilization by SMEs
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Best Practices on FTA Promotion Policies

The Case of Thailand

Mr. Pitak Udomwichaiwat
Director, Bureau of Trade Preference
Department of Foreign Trade
Ministry of Commerce

APEC Workshop on “Increasing FTA Utilization by SMEs”
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- Thailand's Free Trade Agreements
- The Utilization of FTAs in 2011
- Impediments to increase FTA utilization by SMEs
- Policies to promote FTA utilization by SMEs

Thailand and FTAs

Political Map of the World, April 2006

Legend
Country
Territory
Subj. / Admin. Island / Island group
Capital
Scale
1:10,000,000
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11 FTAs 17 Trading Partners

Thailand's Free Trade Agreements

11 Existing Agreements and 1 under negotiation

4

6 Regional Agreements

- ASEAN (AFTA)
- ASEAN- China (ACFTA)
- ASEAN - India (AIFTA)
- ASEAN - Japan (AJCEP)
- ASEAN - Korea (AKFTA)
- ASEAN – Australia – New Zealand (AANZFTA)

5 Bilateral Agreements

- Thailand – India (TIFTA)
- Thailand - Australia (TAFTA)
- Thailand – New Zealand (TNZCEP)
- Thailand - Japan (JTEPA)
- Thailand – Peru (TPCEP)
- **Thailand-Chile (under negotiation)**

Utilization of FTA Preference

5

Rules of Origin are the Key for Preference

- ROOs are used to determine the country of origin of a product for purposes of international trade.
- The rules of origin determine what products can benefit from the tariff concession or preference.

FTA Utilization

6

What creates FTA utilization?

- Rules of Origin (ROO)
 - The goods has to meet the origin criteria set out in the FTA.
 - The term “origin of the goods” simply means “nationality of the goods”
 - Qualified goods will be eligible for preferential treatment
- Preferential Certificate of Origin (C/O)
 - The particular preferential C/O must be presented to the customs of the importing country.
 - Ex. Form D (AFTA), Form AK (ASEAN-Korea) and Form E (ASEAN-China)

Utilization of FTA Preference

7



**C/O
FORM FTA**

- Products are in inclusion list

- Meet the criteria rules of origin

- C/O : FORM FTA

The Utilization of FTAs in 2011

Unit: Million USD

Countries	Exports of Eligible Goods	Exports under FTAs	Utilization Rate (%)
ASEAN (AFTA)	29,248.11	15,181.55	51.91
China (ACFTA)	11,105.66	9,361.30	84.29
India (TIFTA)	1,002.79	748.15	74.61
India (AIFTA)	4,387.85	1,223.73	27.89
Australia (TAFTA)	5,545.42	5,036.19	90.82
Australia (AANZFTA)	317.12	83.91	26.46
Japan (JTEPA)	8,484.06	6,039.15	71.18
Japan (AJCEP)	1,264.70	48.11	3.80
Korea (AKFTA)	3,761.72	2,214.70	58.87
New Zealand (AANZFTA)	44.83	7.92	17.67
Total	65,162.26	39,944.71	61.30

Reasons for low utilization rates

9

□ Regional vs. Bilateral

- JTEPA (71.18%) > AJCEP (3.80%)
- TAFTA (90.82%) > AANZFTA (26.46%)



Tariff Reduction

Rules of Origin



Reasons for low utilization rates

10

Tariff Reduction

- Different tariff reduction
- Timing of tariff reduction
 - ▣ sooner tariff reduction, higher utilization
- Timing of FTA implementation
 - ▣ longer implementation, lower utilization

Rules of Origin

- Restrictive rules
- Different FTA, different rules
- Narrow cumulation



- Administration & documentation costs
- Production fragments

Example : HS 160232.290

11

- Prepared or preserved meat of fowls of the species *gallus domesticus*
---other than those containing meat or meat offal of bovine

FTA	MFN rate	FTA rate	ROOs
JTEPA	6%	3%	A change to heading 1601 through 1602 from any other chapter, except from chapter 1 or 2
AJCEP	6%	5.5%	CC

JTEPA offers higher tariff reduction and simpler rules of origin

Example: 030617.100

12

➤ Other Shrimps or prawns --- Smoked

FTA	MFN rate	FTA rate	ROOs
JTEPA	4.8%	Free (Since November 2007)	A change to heading 03.01 through 03.07 from any other chapter
AJCEP	4.8%	Free (Since June 2009)	CC

JTEPA offers free tariff since 2007

Example: HS 87042110

13

Motor vehicles for the transport of goods:

(a) g.v.w. exceeding 3.5 t; (b) g.v.w. not exceeding 3.5 t, assembled

FTA	MFN rate	FTA rate	ROOs
TAFTA	5%	Free (Since 2006)	Change to heading 8704 from any other heading provided there is a regional value content of not less than 40 percent.
AANZFTA	5%	Free (Since 2009)	RVC 40

TAFTA offers zero tariff since 2006

Impediments to FTA utilization by SMEs

14

- **Production capacity**
 - **Limited access to qualified raw materials**
 - **Production process do not comply with ROOs**
 - **Ability to expand to international market**
- **Lack of knowledge about the benefits available under different FTAs**
- **Lack of knowledge about ROOs and other conditions which enable to utilize FTA benefits**
- **Lack of incentives to trade under FTA**

Policies to Promote FTA Utilization by SMEs

15

Main Agency



**Department of Foreign Trade
Ministry of Commerce**

Responsibilities

- **The issuing authority of the preferential certificates of origin**
- **Negotiating Rules of Origin under different preferential arrangements**
- **Monitoring FTA utilization on Thailand's preferential exports**

Department of Foreign Trade

Outreach to Promote FTA Utilization by SMEs

16

➤ Promote the utilization of FTAs

- Organizes public seminars both in Bangkok and other provinces
- Provides information on the website (WWW.DFT.GO.TH)
- Provides FTA consulting service and ROO resolutions for SMEs
- Implements EDI system to facilitate the application process of C/O for exporters

Department of Foreign Trade

Outreach to Promote FTA Utilization by SMEs

17

- **Promote the utilization of FTAs (continued)**
 - **Offers in-house seminars for companies**
 - **Publishes quarterly journal on the utilization of FTA preferences**
 - **Publicizes FTA news/events through the media e.g. newspapers, TV/radio commercial etc.**

Department of Trade Negotiations: Outreach toward SMEs to Increase

18

- ▣ **Creation of operation network**
17 MOUs including government and private organizations
- ▣ **Establishment of AEC Information Center**
To encourage two-way communication
To expand service coverage of AEC Information Center nationwide (Provincial office of commercial affairs)
- ▣ **Organization of AEC related seminars**
21 times 6,193 participants (not including seminar organized in cooperation with operation network)

Department of Trade Negotiations:

Outreach toward SMEs to increase FTA utilization

19

- ▣ **Information dissemination using variety of mass media radio, television, printing material, and social network**
 - **AEC News Alerts**

- ▣ **Arrangement of focus groups and Public hearing meeting with different stakeholders**
 - **To brainstorm and create the AEC intelligence system**

- ▣ **Researching on impact of AEC completion to each Business sectors of SMEs**

- ▣ **Business Successes Case study**
 - To identify Business Role Model**

Department of Trade Negotiations:

Outreach toward SMEs to increase FTA utilization

20

- **AEC Business Trip for SMEs**
- **AEC Academy**
- **Training for Trainers**
- **AEC Business Plans Competition Awards**

Outreach toward SMEs to increase FTA utilization

21

Other Agencies

- ❑ **The Board of Trade of Thailand and the Federation of Thai Industries**
- ❑ **Ministry of Finance and Ministry of Industry**
 - **SME Bank established in 2002 with the aim of developing, promoting and assisting small and medium enterprises to start-up expand or improve their businesses by providing loans, guarantees, venture capital, counseling and other necessary services.**

Thank you