

# **Thailand Trade Policy and Free Trade Agreement**

**By**

**Suebsak Dangboonrueng**

**THESIS**

**Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of**

**MASTER OF PUBLIC POLICY**

**2006**

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## **ABSTRACT**

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Free Trade Agreement is now being done by many countries around the world. Thailand is one of those believing that Free Trade Agreement is an effective way to gain market access and boosting its own economy. Nevertheless, Free Trade Agreement is not donation of any country. It is the competition which have both loser and winner.

The purpose of this study is to examine trade policy and agreement of Thailand particularly trade agreement on vegetable and fruit between Thailand–China. The study, based on existing information, would like to point out drawback of agreement and its impact to those whose their participation and opinion is ignored by decision maker to the agreement including what their future will be.

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## **II. OVERVIEW OF THAILAND ECONOMY : PRE- AND POST- CRISIS**

Thailand's economy has been transformed from import substituting to export led economy since 1972 when Industrial Promotion Act came into force. Between 1986-1991 Thailand stood as one of the fastest growing economies in the world with an average real GDP growth rate of 11.5%. An average real GDP growth rate during 1990-94, however, moderated to around 8% due to the tightening of fiscal and monetary policies as part of the government objective to prevent overheating economy. The prudent financial management also stabilized inflation rate within the maximum band of 5% per annum during early 90s. When the financial crisis took place in 1997, the real GDP growth contracted sharply to minus 1.4% in 1997 and minus 10.5% in 1998. The crisis was triggered from the weak governance of financial institutions and corporation - poor accounting practices, lack of transparency in management, and inadequate supervision of banks and financial institutions.

In response to the crisis, the Thai Government resisted protectionist pressure and continued its implementation of trade and investment liberalization programs in order to speed up structural adjustment. Measures undertaken by the Government include streamlining import and export procedures, improving transparency in customs practices, continuation of tariff reduction, strengthening anti-corruption regime, privatizing state owned enterprises, introducing competition law, modifying intellectual property legislations to implement WTO TRIPs agreement, opening up financial sector under GATS extended negotiations (e.g. temporary elimination of 25% limit on foreign equity participation), and encouraging regional trading partners. The Government also undertook steps to address weak corporate governance after the 1997 financial crisis including enhanced accounting practices, information disclosure, and strengthened auditing regulations to be in line with international standards. It also

pursued monetary and fiscal policies aimed at achieving price stability, low inflation, and fiscal consolidation. As a consequence, the real GDP growth rate rebounded to 5.4% and 6.8% in 2002 and 2003 respectively.

During 1981-85, an average export and import values of Thailand registered at 165,561 and 229,259 million Baht respectively, resulting in an average negative trade balance of 63,698 million Baht. The major exporting products were mainly agriculture and processed food, accounting for almost 50% of the total average export value, while the main import items were mineral, fuel and lubricant, and machinery, accounting for 26% and 27% of the total average import value. Average export and import values during 1991-95 grew more than five folds from the 1981-85 period. Trade balance also worsened to minus 252,249 million Baht since import grew faster than export. Moreover, the composition of export and import significantly changed; both major exporting and importing products now became machinery and manufactured products, signifying an emergence of intra-industry trade, partly governed by networking of multinational enterprises. With regard to the direction of trade, Thailand exported proportionally to developed countries, namely the US, EU and Japan during 80s and 90s. However, in recent years, ASEAN has become the major trading partner of Thailand.

Thailand witnessed an increasing flow of foreign direct investment (FDI) during 80s and 90s. Net flows of FDI during the period 1981-85, 1986-90, 1991-95, and 1996-2000 average around at 6,600, 30,900, 46,400, and 127,000 million Baht respectively. FDI was relatively unaffected by the financial crisis, partly due to Thailand's political stability and investment reforms undertaken by the Government, especially the opening in 1998 of several sectors, such as banking, energy, and



telecommunications. Most of FDI concentrated mainly in industrial sector, particularly information technology, electrical machinery, automobile and parts.

### **III. TRADE AND INVESTMENT POLICY FRAMEWORK**

#### **1. Trade**

The direction of trade policy in Thailand has not changed substantially since the financial crisis. Thailand remains committed to trade and investment liberalization as a means of improving competitiveness and achieving poverty alleviation objective. The current administration has pursued the "dual track" approach of strengthening the domestic economy and also integrating Thailand more into the global economy. Thailand remains committed to the implementation of the UR obligations, trade liberalization within APEC, and regional liberalization within ASEAN. It is also seeking to expand bilateral trading arrangements with various countries, namely Australia, China, India, Japan, and the US. The objectives of these FTAs are to enhance and maintain competitiveness, protect economic benefits, gain greater access to overseas markets, and transform the country into an investment hub in the region.

In 2003, Thailand bound 72% of its tariff lines. A simple average bound tariff was 28.4%, while a simple average applied MFN tariff rate was 14.7%, down from 17% in 1999 and 23% in 1995. Products with the highest simple averages were vegetable products, prepared food, transport equipment, footwear, head gear, arm and ammunition. As part of incentives granted by the Board of Investment (BOI), Thailand continues to grant border tax exemptions, to encourage investment in remote areas and production for export.

## **2. Investment**

Thailand's foreign investment regime has remained liberal with the Board of Investment (BOI) promotion schemes that allow 100% foreign ownership in a number of activities. Other important investment legislation is the 1999 Foreign Business Act B.E. 2542 (FBA) which replaced the 1972 Alien Business Law. This Act allows foreign investors to have ownership of up to 75% or 100% in a wide range of business activities subject to certain restrictions and requirements. For US investors and investments, in addition to the FBA, there is the 1966 Treaty of Amity and Economic Relations Between the United States and Thailand. The treaty provides national treatment to US investors, except for communications, transport, banking, exploitation of land or other natural resources, and domestic trade in agricultural products.

Since August 2000, the criteria for granting investment incentives have been free of local content requirements and export requirements in line with WTO commitments under the TRIMs Agreement. Moreover, land ownership restrictions in Thailand have been relaxed. Although a work permit is still required for foreign workers in Thailand, foreigners working in companies promoted by the BOI or under special laws, such as the Petroleum Act, receive special arrangements to facilitate the issuance of work permits. Foreign nationals working in Thailand must also meet visa requirements.

## **3. Sectoral Review**

### **3.1 Agriculture**

Agriculture accounts for approximately 10% of Thailand's GDP, while employing more than 40% of the total workforce in the Thai economy. During 2001-

2003, food exports accounts for almost 15% of the total export while food import account for only 3%, reflecting the country's abundant food supply. In 2003, a simple average bound tariff was 33.1%, while a simple average applied MFN rate for agricultural products (HS01-24) is 25.4% down from 32.7% in 1999. Some agricultural products, including fish-meal, gunny bags, and jute and kenaf remains subject to non-automatic import licensing, and 23 agricultural products remain subject to tariff quota and import licensing. In 2003, tariff quotas covered 1.0% of all tariff line (at HS 7-digit level). About 60% of the out-of-quota rates were ad valorem, compared with about 75% of the in-quota rates. The simple average in-quota MFN tariff rate is estimated to be 22.6%; the corresponding average out-of-quota MFN tariff is 40.3% (including AVEs of specific duties). The only agricultural products subject to export taxes are raw hides and skins and some forms of unprocessed wood. Thailand's production subsidy and support programmes including soft loans and price interventions are aimed at stabilizing domestic prices. The Government (National Bureau of Agricultural Commodity and food standards) has set up the standard consisting of the identification of the commodity, qualification for the standard size, arrangement, brand and label regulation, as well as sanitary regulations on food contaminants for 14 agricultural commodities such as longan, orchid, and mango.

### **3.2 Manufacture**

During 2001-2003, the share of manufacturing sector in GDP is approximately 33.5%, while the share of manufacturing in employment averaged around 15.0%. Manufacturing export and import account for more than 65% of the total export during the same period. In 2003, a simple bound tariff was 27.2% while a simple average applied MFN rates for manufacturing products (HS 25-97) was 12.9%, down

from 14.6% in 1999. However, tariff rates on certain products remained relatively high; for example, textile and clothing (33.6%) and motor vehicles (80% for passenger cars, 33% for CKD, and between 40% - 60% on parts and components). Recently, the Thai Government has abolished local-content requirements tied with BOI incentives.

At the present, the Thai government place strong emphasis on sectoral industrial development and has set specific strategies for each sector as follows: (1) Globally competitive sectors (e.g. food, fashion, electrical and electronics) – strategies are to develop new products through R&D, brand name, and country image; (2) Regionally competitive sectors (e.g. chemical and ceramics) – strategies are to develop higher value added in the value chain through R&D, technology transfer through linkage between large and small scale industries; and (3) Basic industries that need support from the Government (e.g. iron and steel, and petrochemicals) – strategies are to link inter- and intra-industries through value chain system and developing productivity and product efficiency to reduce cost.

### **3.3 Services**

Services account for about 46% of GDP and employ roughly 37% of labour force in Thailand. The most important sectors in terms of contribution to GDP are trade (retail/wholesale/repair), transport and communications, business services and hotel/ restaurants. On the international trade front, Thailand is the 16<sup>th</sup> exporter and 15<sup>th</sup> importer, counting the EU as one. Travel, transportation, health-related and communication are major service exports while travel, transport and royalties and license fees are main imports.

Thailand service sectors are governed by a number of laws, the most important of which is the Foreign Business Act 1999 (FBA). This Act provides for procedure through which foreign investors can apply to establish commercial presence to supply certain services with majority ownership. For banking, insurance, and telecommunications sectors, separate laws have provisions that oversee foreign participation in these sectors.

Thailand's schedule of commitments on services in the Uruguay Round was largely a reflection of her domestic laws existed during that period. Following the inception of the WTO in 1995, the government undertook gradual liberalisation in service sectors which, unfortunately, came to a halt after the financial crisis of 1997. However, liberalisation momentum was not totally lost since the crisis did provide an unexpected rationale for expansive liberalisation on investment. As a result, the government agreed to allow 100% ownership of banks (albeit on a temporary basis), able to pass the amendments to the Alien Business Law of 1972 that was reborn into the more liberal, transparent FBA and implemented a highly liberal regime on investment in some BOI-promoted service sectors.

Notwithstanding those liberalisations, the financial crisis in fact brought in economic difficulties for many sectors, most notably retail/wholesale, construction and real estate which altogether employed substantial workforce. The near-collapse of the financial system also created a sense of caution that reverberated throughout the Thai economy. The protectionist sentiment that followed was therefore not surprising. After the passage of the FBA in 1999, there has been no further liberalisation in service industries.

### **3.4 Rules**

Anti-dumping: Thailand introduced the Anti-Dumping and Countervailing Act in 1999. The legislation is consistent with the Agreement on Implementation of Article VI of the GATT 1994 and the Agreement on Subsidies and Countervailing Measures. Recently, Thailand have imposed anti-dumping duties on some products such as chemical, steel, and glass from both WTO and non-WTO Members. Thailand's anti-dumping duties (including provisional measures) ranged from approximately 5% to over 100% of the value of imports. Currently, Thailand does not use any countervailing measures.

Safeguards: Thailand's legal basis for safeguard measures is the Ministry of Commerce Notification on Safeguard Measures B.E. 2542 (1999). No safeguard measure has been used since the law came into force.

Subsidy: Thailand still maintains programs to support trade in certain manufactured products and processed agricultural products which are still permitted by WTO. By the end of 2002, the Thai Government terminated its packing credit program in compliance with WTO commitments but received an extension of its WTO exemption period for certain tax-based incentive provided by the Industrial Estate Authority of Thailand and Board of Investment until December 2005. These include various tax benefits (e.g. tax and duty compensation of exported goods, corporate tax holidays) and import duty reductions. Low interest payment loans provided under the Export Market Diversification Promotion Program for exporters already ended in December 2003.

TRIPS: Thailand has revised and enacted several laws to comply with the Agreement on Trade Related Aspects of Intellectual Property Rights. Among others, the following legislations have been enacted.

- (1) The Copyright Act, which entered into force in 1995;
- (2) The Patent Act, which was amended in 1995 and came into force on 27 September 1999;
- (3) Protection of Plant Varieties Act, which came into force in December 1999;
- (4) The Trademark Act, which was revised and entered into force at the end of June 2000;
- (5) The Act to Protect Topographies of Integrated Circuits, which came into force on August 10, 2000;
- (6) The Trade Secrets, which came into force in 2002; and
- (7) The Geographical Indications Bill is being reviewed by the joint committee of the House-Senate.

Thailand recognises the importance of IP protection particularly in the area of copyright. It has dedicated considerable human and financial resources to eradicating the problem of piracy. In an effort to increase the effectiveness and efficiency of the overall IPRs violation suppression in Thailand, 13 government agencies have signed a Memorandum of Understanding on the Cooperation of Relevant Government Agencies regarding the Enforcement of Intellectual Property Rights. One of the important objectives is the utilisation of other non-IP legislation and measures to strengthen the overall suppression efforts.

TRIMS: In compliance with the UR obligations, Thailand has abolished all local content requirements measures. The recent abolition includes measures in the

auto vehicle assembly and parts industries and the milk and dairy processing industries.

Rules of origin : Thailand has established a Committee and a Subcommittee on Rules of Origin, under the Customs Department, to review the progress of harmonization, improvement, and simplification of both preferential and non-preferential rules of origin.

### **3.5 New issues**

Competition Policy - Under the Constitution of the Kingdom of Thailand B.E. 2540 (1997), the Government must support a market-based economy, and regulate and ensure fair competition, consumer protection, and anti-monopoly practices through direct and indirect means. The Price of Goods and Services Act B.E. 2542 (1999) and the Trade Competition Act B.E. 2542 (1999) are main laws defining Thailand's competition policy. The former is aimed at preventing price manipulation or other unfair business practices (where these may affect consumers directly). Inter alia, the aim of the latter is to prohibit businesses that are deemed dominant from setting unfair prices, establishing unfair trading conditions, limiting supply, and intervening in other businesses without proper reason; mergers that may create "monopolistic" power or reduce competition unless permission for those mergers is obtained from the Trade Competition Commission; conspiring and colluding in order to create "monopolistic" power or reduce competition; any act that may restrict a person in Thailand from purchasing goods or services directly from business operators outside Thailand; and any act that has negative effects such as impairing or obstructing business operation of other businesses.



Trade Facilitation - Thailand considers improvements in customs procedures as one of the crucial elements of trade facilitation. In 1999, the authorities adopted measures such as an EDI (electronic data interchange) system to reduce paper load and expedite customs clearance. Currently, approximately 85% of declarations are administered using EDI. Thailand plans to establish and expand the EDI system nationwide with the objective of achieving an all e-based trading system by 2010. Thailand amended two laws, i.e. the General Provision of the Custom Tariff Decree B.E. 2530 (1987) and the Custom Act (No.17) B.E. 2543 (2000), with a view to implementing the WTO Agreement on Customs Valuation; the former entered into force on 17 February 2000 and the latter 8 March 2000. In November 2002, the Customs Department introduced an internet-based declaration system mainly for small and medium-sized enterprises. Also, the Department allow companies that belong to the BOI's Investor Club Association are eligible to use the raw materials tracking system whereby customs clearance for raw materials can be done in three hours or less.

Government Procurement – Although Thailand is not a member of the Government Procurement Agreement, it has sought to ensure that public funds are used economically and efficiently. The core procurement rules for the Central Government are the Regulations of the Office of the Prime Minister on Procurement B.E. 2535 (1992), as amended in 2002. All government agencies (central and provincial administration) must comply strictly with the Regulations for procuring activities, but local administration and state enterprises are not under direct control of the Regulations. A Cabinet resolution of 1 October 2002 required that all government agencies maintain their own websites containing procurement information, and implement the electronic auction (e-Auction) for at least one item of simple

merchandise purchasing by 14 February 2003. Thailand has still pursued the counter-trade policy stipulating that all procurement contracts by government agencies and state enterprises that involve imports above B 300 million must have a related counter-trade transaction of at least one half of the procurement value.

#### **IV. THAILAND'S ENGAGEMENT IN TRADE NEGOTIATION**

##### **1. WTO Doha round: Current stance and outlook**

Thailand looks forward to a successful conclusion of the Doha Development Agenda (DDA) negotiations. It recognizes the potential gains of the DDA in the areas of agriculture reform, improved market access for goods and services, and clarification and improvement of trade disciplines, including development considerations. Despite there being a number of FTA initiatives pursued by Thailand both at the bilateral and regional settings, such engagements have not come at the expense of the commitment to the multilateral trade negotiations. Rather, the Thai government views that multilateral, regional and bilateral trade liberalization frameworks are complementary and mutually reinforcing. On the one hand, the multilateral trade agreement has offered Thailand the potential real gains in the areas of agricultural reforms as well as established and improved trade disciplines. On the other hand, the bilateral/regional trade agreements have been strategically employed as the fast lane toward deeper and wider market access on goods and services.

With regard to agricultural negotiations, Thailand aims to achieve substantial and meaningful agricultural reform in the three pillars, namely market access, export competition, and domestic support. Currently, Thailand is a member of "G20" group which call for deep tariff cuttings combined with quota expansions by developed countries, elimination of export subsidies, and substantial reduction in domestic

support. It views that products to be treated as special should be limited in number and truly reflect the real concerns for food security, rural development, and livelihood of poor farmers. On NAMA negotiations, Thailand supports a simple and ambitious tariff cutting formula which will reduce / eliminate tariffs, including the elimination of tariff peaks, high tariffs, tariff escalation, and non-tariff barriers imposed by both developed and developing countries. Thailand does not oppose the sectoral initiative as a supplementary avenue for tariff elimination / harmonization provided that special needs and concerns of developing countries are adequately addressed. Sectors such as jewellery, processed foods, electrical appliances, leather products, and footwear are those on which Thailand hold strong offensive interests, while those like steel and copper are Thailand's sensitive. Regarding services negotiations, Thailand's interests lie in Mode 4. It also places emphasis on the negotiations on rule making elements.

Thailand welcomes the decision of WTO members to launch negotiations on trade facilitation. As being one of APEC members, Thailand has already undertaken various activities related to trade facilitation namely movement of goods, standards, mobility of business people, and e-commerce. Surely, these activities will result in greater harmonization and simplification of customs regulations and procedures, thus lowering transaction costs and increasing timeliness of goods in transit. Thailand also gives priority to S&D provisions which are necessary to ensure that developing countries can fully and effectively implement all WTO provisions. Equally important are rules and disciplines under the WTO's Agreement on Anti-Dumping and on Subsidies and Countervailing Measures which could be further clarified and improved so that they cannot be easily used as a disguised form of non-tariff barriers.

Other main areas of interest to Thailand include developing-country concerns over TRIPS and public health and extension of geographical indications beyond wines and spirits. Regarding environmental concerns in relation to trade, Thailand would not accept any proposal to weaken WTO rules using environmental protection as a pretext to create new trade barriers, or the adoption of a non-science-based precautionary principle that goes beyond the scope of existing WTO provisions.

## **2. Regional FTA**

### **2.1 ASEAN**

Thailand realizes that as long as individual markets of ASEAN remains segmented and protected with various kinds of trade barriers, the region as a whole will eventually lose its competitiveness and attractiveness to foreign direct investment, given the current development of regional trading blocs around the globe. With this concern, Thailand is firmly committed to working towards economic integration of ASEAN.

As an original member of the Association of South-East Asian Nations (ASEAN), Thailand played the important role in the creation of the ASEAN Free-Trade Area (AFTA) which was launched in 1993. Thailand is firmly committed to effective implementation of AFTA. Currently, all product items are under the Common Effective Preferential Tariff (CEPT) scheme (9,211) and the tariff rates of those items are between 0-5%. Moreover, 60% of those items (5,525) have the tariff rates of 0%. Additionally, Thailand is committed to reducing 80% of all tariff lines to 0% in 2007. Besides market for goods, Thailand aims to achieve full integration of market for services under the ASEAN Framework Agreement on Services (AFAS) which was signed in 1995. Three packages of service commitments have been

concluded and Thailand has made GATS Plus concessions in all seven priority sectors, namely air transport, business services, construction, financial services, maritime transport, telecommunications and tourism. Furthermore, Thailand remains committed to ASEAN Investment Area (AIA) agreement, signed in October 1998, aiming to increase foreign investment from ASEAN and non-ASEAN regional sources by removing barriers to all ASEAN investors by 2010 and for all investors by 2020. Finally, Thailand took active part in architecting the future form of ASEAN economic integration, namely ASEAN Economic Community (AEC) which was announced by ASEAN Leaders in November 2003. AEC is characterized as a region with free flows of goods, services, investment, and skilled labours, freer flow of capital by the year 2020.

## **2.2 Other regional FTAs**

Regional FTAs are part of Thailand's strategy to become an investment hub in Asia. Thailand is pursuing other regional FTAs (apart from AFTA) through ASEAN, by joining force with other members in the group in the negotiations of ASEAN-China, ASEAN-Japan, and ASEAN-India FTAs.

Also, conducting FTA negotiations on a parallel track provide Thailand with rooms for manoeuvre to shift resources and attentions to whichever that moves faster. However, there are also weaknesses in pursuing FTAs such as complication of rule of origin, insufficient resources, and constraint on implementations. As agreed by ASEAN and Chinese, Japanese, and Indian Leaders, ASEAN-China FTAs. ASEAN-Japan FTAs, and ASEAN-India FTAs will be fully realized by 2015-16 for both original and new ASEAN members. Thus, in the next 10-15 years from now,

ASEAN would be a vibrant region with tremendous opportunities for trade and investment.

At the present, ASEAN is now working with Korean partner on a possibility of establishing an ASEAN-Korea FTA. Thailand is also engaged in the BIMST-EC FTA negotiations comprising of Bangladesh, India, Myanmar, Sri Lanka, and Thailand which was launched in February 2004. This FTA is part of the “Look West” Policy aimed at linking the nations of South Asia and Southeast Asia.

## **V. TRADE POLICY MAKING IN THAILAND**

### **1. Decision making bodies**

According to the new restructuring of government agencies which came into effect in October 2002, the Ministries of Commerce, Industry, and Finance are the main responsible agencies in formulating trade and investment policies. Other agencies such as the Ministries of Agriculture and Co-operatives, Public Health, Energy, Information Technology and Communications, and Transport, and the Bank of Thailand (the central bank) are also granted with authorities when issues are specifically related. The Committee on International Economic Relations Policy (CIERP), chaired by the Deputy Prime Minister, plays the major role in coordinating Thailand's international trade and investment policies. Importantly, all matters related to international economic policy must be considered by this Committee before seeking final approvals / decisions from the Prime Minister and his Cabinet.

It should be noted that when formulating Thailand's trade policies, responsible Ministries must take into account the National Development Plan which is set and monitored by the National Economic and Social Development Board (NESDB).

NESDB is responsible for preparing Thailand's five-year national economic and social development plans and monitoring their implementation. Currently, the Ninth Development Plan, from 2002 to 2006, reflects the guiding principle of "sufficiency economy" based on a "middle path" or balanced development.

## **2. Negotiations and consultations**

In terms of trade negotiations, the Department of Trade Negotiations, under the Ministry of Commerce, is mainly responsible for bilateral, regional and multilateral trade negotiations, although some bilateral trade negotiations are led by Ministry of Foreign Affairs (e.g. Thailand-US FTA and Thailand-Japan FTA) and some are led by Thailand Trade Representatives (TTR) (e.g. Thailand-Peru FTA). The Department consults with other government and non-government agencies both during pre- and post negotiation process. To formulate negotiation positions, it interacts closely with related agencies such as Fiscal Policy Office (Ministry of Finance), Office of Industrial Economics (Ministry of Industry), Ministry of Foreign Affairs, and Office of Agricultural Economics (Ministry of Agriculture and Co-operatives) as well as private sector bodies such as the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers' Association. These private bodies are represented on the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB). The JSCCIB also formed the WTO Committee in 1999 aimed at facilitating the private sector's participation in multilateral negotiations in order to help enhance Thailand's competitiveness. Other important committees with private and public representatives are the National Economic Social Development Committee, the Board of Investment Committee, and the National Competitiveness Committee. Subsequent to the consultation process, negotiation plans, objectives, and positions in

all negotiating fora must be approved by the Committee on International Economic Relations Policy and cabinet.

### **3. Policy-making for Free Trade Agreement Negotiation**

The Thai government began FTA negotiations in around early 2003. FTAs positions were decided by the Committee on International Economic Relations Policy (CIERP) chaired by Deputy Prime Minister responsible for economic policies. In February 2004, Chief Negotiators for each FTA were appointed. They were selected from a wide range of background and experience and came from different level – one with ministerial-rank, one junior-minister, one retired bureaucrat and some high-ranking officials still in office. The Committee also established 2 Sub-committees to oversee negotiation strategy and to devise implementation plans through economic adjustment and restructuring. However, given broad composition of the Sub-committees, it was difficult to convene frequent meetings and as such the Sub-committees were not very active. For the most part of 2004, FTA negotiations were largely driven by each Chief Negotiator within a broad framework that the CIERP had given its blessing earlier.

By the late 2004, it was clear that a more unified direction was called for. This was especially necessary for negotiations with the US and Japan that were making steady progress but with little hiccups here and there. The Thai-US FTA was viewed as a potential “landmark” agreement that could bring radical changes into the Thai economy and hence careful consideration and strategy from top-level decision makers was paramount. FTAs with other partners were also making patchy progress although one with New Zealand was concluded but left out service negotiations for the next 3 years.



In an effort to provide clearer and consistent direction on Thailand's positions in FTA, the Prime Minister appointed a new Committee in November 2004. This Committee on FTA Strategy and Negotiations is chaired by Minister of Finance who is also a chief economic adviser to the Prime Minister, with secretariat at the Ministry of Commerce. The Committee has similar membership to the International Economic Policy Committee though this "FTA Committee" is much more compact for practical reason. It reports directly to the Prime Minister and is mandated to hold meeting every month. In the one month after its inception, a full meeting was convened plus numerous small, exclusive meetings to consider issues pertinent to each FTA country-by-country. Two sub-committees will be established to chart implementation plans and provide technical supports to the new Committee.

Though it could end up like another bureaucratic body, the attention that the Prime Minister and the Committee Chairman has recently given to FTA negotiations lighted some hope among those concerned that this Committee might actually become the focal point that drives all negotiations in the same direction. If nothing else, it has created significant momentum in FTA negotiations in Thailand.

## **VI. GLOBAL SITUATION ON FREE TRADE AGREEMENT**

In the last decade, it is clear that the global trading system has become much more liberalized and the world economies have become increasingly integrated. On the one hand, this is due to the successive rounds of trade negotiations under the auspices of the World Trade Organization (WTO), which have resulted in the progressive liberalization of both traditional and new sectors, such as trade in agriculture and services, and, on the other hand, to the establishment of regional trading arrangements and free trade agreements, or RTAs and FTAs.

Since the latter half of the 1990's, due in part to the slow down of the WTO trade liberalization processes, it is evident that there has been an exponential increase in the number of RTAs and FTAs in every part of the world. For instance, in the Americas, the North America Free Trade Agreement, or NAFTA, was formed in 1994, and now 34 countries in that region are moving ahead with the creation of the Free Trade Area of the Americas, or FTAA. Likewise, at the beginning of 2004, we all saw the successful enlargement of the European Union from 15 to 25 countries. In the Asian region, China, Japan, Korea, and India have also begun a series of FTA negotiations with their major trading partners. Apart from the ASEAN Free Trade Area (AFTA), the ASEAN countries are now engaging in the process of establishing an FTA with China, India, and Japan. As a consequence, the WTO has estimated that the numbers of these arrangements will exceed 300 by 2005, of which up to 70 per cent will be in the form of bilateral FTAs.

## **VII. ASEAN- CHINA AGREEMENT**

### **1. Background**

1.1 October 2000, ASEAN Economic Minister agreed to conduct a study on economic integration between ASEAN and East Asia countries such as Japan, China and Korea.

1.2 November 2000, Chinese Prime Minister, Mr. Zhu Rong Ji, proposed to the meeting of ASEAN-China Summit to conduct a study on possible impact if China become member of WTO. In addition, Mr. Zhu Rong Ji also recommended measures to promote cooperation and economic integration between China and ASEAN including possibility of establish Free Trade Agreement. The main reasons of

conducting a study is to relieve concern of ASEAN after China becomes a member of WTO.

1.3 March 2001, at Kuala Lumpur, Malaysia, ASEAN – China Joint Committee on Trade and Economic Cooperation had agreed to establish Export Group on Economic Cooperation (EGEC) to conduct a study on economic integration between China and ASEAN. Later, EGEC proposed to ASEAN-China Summit to establish Free Trade Agreement between ASEAN–China within the next 10 years.

1.4 November 6, 2001, at ASEAN-China Summit, Bandar Seri Begawan, Brunei, leaders of ASEAN countries and China agreed to the establishment of Free Trade Agreement between ASEAN and China within the next 10 years as studied and proposed by EGEC.

1.5 To accomplish the goal, ASEAN established ASEAN Trade Negotiating Group (ASEAN TNG) and appointed Thailand as ASEAN Chief Negotiator (ACN) to lead the discussion with other members on the scope of negotiation with China. Meanwhile, ASEAN-China Joint Committee established ASEAN-China Trade Negotiating Committee (TNC) to conduct the negotiation between both parties and, in addition, appointing sub-committee on different areas : services, investment, trade dispute.

1.6 November 4, 2002, at Phnom Phen, Cambodia, ASEAN and China leaders signed **Framework Agreement on ASEAN-China Comprehensive Economic Cooperation** to which both parties will have to complete Free Trade Agreement within 2010s. This agreement is deemed to be fundamental framework for drafting ASEAN-China agreement on trade and economic cooperation which will be

negotiated in two major areas. Firstly, Free Trade on goods, services, and investment. Secondly, expansion of economic co-operation on 5 areas : agriculture, information and technology, human resources development, Mekong Basin Development.

1.7 November 29, 2004, at 10<sup>th</sup> ASEAN-China summit, Vientiane, Lao People's Democratic Republic, Economic Minister of ASEAN and China has signed **ASEAN-China Agreement on trade in goods (Early Harvest Program)** which is effective on January 1, 2005.

## **2. Major ASEAN-China Agreement on Trade in Goods**

### **2.1 Tariff Reduction**

Tariff reduction on trade in goods is classified in two parts. Firstly, "Early Harvest Program". Secondly, general products.

"Early Harvest Program" covers 384 agricultural products under HS 01-08. Upon the agreement, as of January 1, 2004, ASEAN members and China agree to reduce tariff to 0% within January 1, 2006 (for 6 current ASEAN members ; Thailand, Malaysia, Singapore, Indonesia, Philippines, Brunei) and within January 1, 2010. (for 4 new ASEAN members ; Myanmar, Lao People's Democratic Republic, Cambodia, Vietnam.)

Products under HS 01-08 are namely :

HS 01 Live Animals

HS 02 Meat and Edible Meat Offal

HS 03 Fish, Crustaceans & Aquatic Invertebrates

HS 04 Dairy Prods, Birds Eggs, Honey

HS 05 Products of Animal Origin

HS 06 Live Trees, Plants, Bulbs etc., Cut Flowers

HS 07 Edible Vegetables & Certain Roots & Tubers

HS 08 Edible Fruit & Nuts, Citrus Fruit or Melon Peel

#### Tariff reduction Schedule of Early Harvest Program

Current Tariff	Tariff Reduction Schedule		
	2004	2005	2006
More than 15%	10%	5%	0%
Between 5%-15%	5%	0%	0%
Less than 5%	0%	0%	0%

## 2..2 General Products

### 2.2.1 Normal Track :

Products not mentioned in Early Harvest Program which have tariff rate more than 20% must be reduced tariff to 20% on July 1, 2005 and gradually reduced to 0% within the year 2010 (for current 6 ASEN members) and within the year 2015 (for 4 new ASEN members)

Based on MFN applied rate, Normal Track tariff reduction is applied to different tariff group as of July 1, 2005. Each group has different period of reduction. But, in principle, product with high tariff is scheduled to reduce tariff to 0% later than products which has lower tariff. However, ASEAN members and China are eligible to postpone the schedule till January 2012 on 150 products except new ASEAN members are eligible to extend the schedule later than January 2012 on more than 150 products.

## Tariff Reduction Schedule of Normal Track

X=applied MFN tariff rate	ACFTA Preferential Tariff Rate			
	2005	2007	2009	2010
X ≥20%	20	12	5	0
15% ≤X<20%	15	8	5	0
10% ≤X<15%	10	8	5	0
5% <X<10%	5	5	0	0

Remark : The first date of implementation is July 1, 2005

### 2.2.2 Sensitive List and High Sensitive List

For products to which contracting parties are not ready to open the market and time is needed for adjustment, contracting parties, except new ASEAN members, are eligible to list those products on Sensitive List. The number of products must not over 400 items and not over 10% of import value. Tariff of products in this category will be reduced to 20% as of 2012s and gradually reducing to 0%-5% within 2018s.

As for High Sensitive List, the parties agree to limit the number of products to the maximum of 100 items or not over 40% of sensitive list, as the case may be, and the tariff will be reduced to 50% within the year of 2015.

Nevertheless, the contracting parties agree that if domestic industry is seriously damaged by this Free Trade Agreement during implementation of tariff schedule such as the flux of import from a contracting parties cause serious injure to domestic market. Another contracting parties may apply safeguard measure to relive the damages to domestic market by increasing tariff to the extent that generally applies to the member of WTO. But this safeguard measure can be applied only for a period of 5 years.

## **VIII. THAILAND-CHINA TRADE AGREEMENT ON VEGETABLE AND FRUIT**

### **1. Background of Agreement**

It is believed that vegetable and fruit has high potential and they should be promoted and accelerated to the benefit of both sides. Consequently, on June 18, 2003, Thailand and China have signed Agreement on Accelerated Tariff Elimination under the Early Harvest Program of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China. The agreement are enforced for 2 years or within September 30, 2005. However, there is exception to tariff of potato, onion, garlic, onion seed which tariff is 0% only if the exported and imported quantity conform to the tariff quota under WTO obligation. Otherwise parties will be charged tariff on those products like normal products.

The main purpose of this agreement is to accelerate tariff reduction between two countries as of October 1, 2003 only on agricultural products of HS 07-08 (vegetables and fruits ) prior to the implementation ASEAN-China agreement under Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China.

### **2. China Economy Overview**

#### **2.1. Development**

China, economically extremely backward before 1949, has become one of the world's major economic powers with the greatest potential, and the overall living standard has reached that of a fairly well-off society. In the 22 years following reform and opening-up in 1979 in particular, China's economy developed at an unprecedented rate, and that momentum has been held steady into the 21st century. In 2004, the government further strengthened and improved its macro control, and the

economy entered its best ever developed period of recent years. The gross domestic product (GDP) for 2004 amounted to 13,687.59 billion yuan, 9.5 percent higher than the previous year.

China adopts the "five-year-plan" strategy for economic development. The 9th Five-Year Plan (1996-2000) was outstandingly successful, and the 10th Five-Year Plan (2001-2005) mapped out the first plan for the new century, setting these main targets: Sustaining fairly rapid growth, strategic restructuring, improving the quality and benefits of economic growth so as to lay firm foundations for doubling the 2000 GDP by 2010; substantial perfection of the socialist market economy and putting state-owned enterprises on a modern enterprise footing, thus allowing greater participation in international cooperation and competition.

GDP to reach some 12,500 billion Yuan, and per capita GDP 9,400 Yuan by 2005 (at 2000 prices assuming annual economic growth of around 7 percent). A marked improvement in quality of life, with 5 percent annual growth in the disposable income of urban residents and in the net income of rural residents; keeping the registered urban unemployment rate stable at around 5 percent; maintaining generally stable prices and basically balancing international revenue and expenditure.

Optimizing and upgrading the industrial structure to sharpen China's competitive edge. By 2005, the added value of the primary, secondary and tertiary industries will account for 13 percent, 51 percent and 36 percent, respectively, of GDP; employing 44 percent, 23 percent and 33 percent, respectively, of the labor force. Further improvement to infrastructure; increased urbanization and bringing the widening development disparity between regions under effective control. Most of



these targets have already been achieved ahead of schedule. At present, the government is drafting the 11th Five-Year Plan (2006-2010).

## 2.2 Economy System

Economic restructure is one of the most crucial elements of China's reform and opening-up policy. For the first 30 years of the PRC, the government practiced a planned economy system, whereby industrial production, agricultural production, and the stocking and selling of goods in commercial departments were all controlled by state plan. The variety, quantity and prices in every sphere of the economy were fixed by state planners. While this contributed to the planned, focused and steady development of China's economy, it also sapped its vitality and limited its growth. Economic reforms began with the rural areas in 1978, and were extended to the cities in 1984. In 1992, after some 10 years of reform in the clear direction of the establishment of a socialist market economy, the government set out the main principles of economic restructuring: encouraging the development of diversified economic elements whilst retaining the dominance of the public sector; creation of a modern enterprise system to meet the requirements of the market economy; a unified and open market system across China, linking domestic and international markets, and promoting the optimization of resources; transformation of government economic management in order to establish a complete macro-control system; encouraging certain lead groups and areas to become rich first, enabling them to help others towards prosperity too; the formulation of a China-appropriate social security system for both urban and rural residents, so as to promote overall economic development and ensure social stability. In 1997, the government stressed the importance of the non-public sector to China's national economy, in which profitability is encouraged

for such essential factors of production as capital and technology, so as to further progress economic reforms.

A socialist market economic system has now taken shape, and the basic role played by the market has been improved in the sphere of resource allocation. At the same time, the macro-control system continues to be perfected. The pattern has basically been formed in which the public sector plays the main role alongside non-public sectors such as individual and private companies to achieve common development. According to the plan, China is forecast to have a relatively complete socialist market economy in place by 2010 and this will become comparatively mature by 2020.

## IX. TRADE BETWEEN THAILAND AND CHINA BEFORE AGREEMENT

### 1. Total Trade

Value : US million dollars

Year	Volume of Trade			Export to China		Import from China		Deficit
	Value	Share	% Δ	Value	% Δ	Value	% Δ	
1996	3,827.8	3.0	2.3	1,876.9	13.8	1,950.9	- 6.8	- 74.0
1997	4,046.6	3.3	5.7	1,774.5	- 5.5	2,272.1	16.5	- 497.6
1998	3,568.7	3.7	- 11.8	1,766.7	- 0.4	1,801.9	- 20.7	- 35.2
1999	4,333.1	4.0	21.4	1,860.9	5.3	2,472.2	37.2	- 611.2
2000	6,226.1	4.7	43.7	2,836.5	52.4	3,389.6	37.1	- 553.1
2001	6,569.3	5.2	5.5	2,873.4	1.3	3,696.0	9.0	- 822.6
2002	8,452.5	6.3	28.6	3,555.0	23.7	4,897.5	32.5	-1,342.5
2003	11,693.6	7.5	38.3	5,691.3	60.09	6,002.3	22.6	-311.0

Source : Trade Negotiation Department, Ministry of Commerce of Thailand

As the statistics show, Thailand has never had trade surplus over China a single year. Especially the year 2002, Thailand had deficit with China up to 1,342.5 million dollars which is much more than in the past several years.

## 2. Top 10 Products Exported to China

Value : \$ US million

Items	2000	2001	2002	2003
1. Computer, parts and accessories	436.4	508.4	589.3	1,145.4
2. Natural Rubber	299.7	271.8	358.3	715.6
3. Polymer of Ethylene	200.4	219.6	289.6	388.4
4. Crude Oil	63.4	29.2	144.2	351.8
5. Chemical Products	100.9	103.6	200.7	311.8
6. Electric Integrated Circuit	154.5	142.2	143.4	204.1
7. Iron, Steel and products thereof.	67.5	58.2	94.6	193.0
8. Tapioca Products	31.1	123.3	137.6	169.4
9. Wood and wooden products	26.0	45.1	93.0	138.9
10. Liquefied Petroleum Gas	140.1	128.7	160.5	125.2
Value	1,519.8	1,630.2	2,211.2	3,743.6
others	1,316.7	1,243.2	1,343.8	1,947.7
Total Value	2,836.5	2,873.4	3,555.0	5,691.3

Source : Trade Negotiation Department, Ministry of Commerce, Thailand

Average 70% of products exported to China are industrial products, 20% are agriculture products, 10% are mineral and fuel.

## 3. Top 10 Products imported from China

Value : \$ US Million

Items	2000	2001	2002	2003
1. Electrical machinery and parts thereof	579.0	823.7	1,143.5	1241.5
2. Computer, parts and accessories	552.9	665.5	1,004.5	1145.3
3. Chemical Products	254.7	300.2	341.6	392.2
4. Industrial machinery	151.4	150.3	249.6	356.0
5. Fabric	252.2	241.0	264.8	283.8
6. Electrical Appliances	148.7	151.9	171.7	211.1
7. Steel products	93.0	105.3	139.1	200.5
8. Apparel, shoe, other textile products	106.7	123.0	126.8	153.8
9. TV tube	18.0	25.6	84.0	153.6
10. Medical Science Tool	80.2	85.0	105.6	143.7
Value	2,317.9	2,671.6	3,631.3	4,281.5
Others	1,152.9	1,024.3	1,266.2	1,720.8
Total Value	3,389.6	3,696.0	4,897.5	6,002.3

Source : Trade Negotiation Department, Ministry of Commerce, Thailand

Around 90% of products imported from China are industrial products (capital products, raw material, semi-finished products)

#### 4. Agriculture Capacity Comparison

##### 4.1 FAO estimate of Thailand's agricultural production in 2004

Rank	Commodity	Production (MT)	Footnote
1	Sugar Cane	63,707,272	*
2	Rice, Paddy	25,200,000	*
3	Cassava	20,400,000	*
4	Maize	4,270,000	*
5	Natural Rubber	3,030,000	*
6	Bananas	1,800,000	F
7	Mangoes	1,750,000	F
8	Pineapples	1,700,000	F
9	Coconuts	1,450,000	F
10	Vegetables Fresh nes	977,000	F
11	Indigenous Chicken Meat	882,987	F
12	Cow Milk, Whole, Fresh	825,016	*
13	Fruit Tropical Fresh nes	720,000	F
14	Oil of Palm	680,000	F
15	Tang.Mand.Clement.Satsma	668,000	F
16	Indigenous Pigmeat	657,471	F
17	Watermelons	420,000	F
18	Hen Eggs	365,000	F
19	Oranges	340,000	F
20	Eggs, excluding Hen	304,000	F

Source : Food and Agriculture Organization, F = FAO estimate, \* = unofficial

##### 4.2 FAO estimate of China's agricultural production in 2004

Rank	Commodity	Production (MT)	Footnote
1	Rice, Paddy	185,110,000	*
2	Vegetables Fresh nes	139,000,000	F
3	Maize	131,700,000	*
4	Sweet Potatoes	106,000,000	F
5	Sugar Cane	92,000,000	F
6	Wheat	91,330,000	*
7	Potatoes	75,000,000	F
8	Watermelons	68,000,000	F
9	Indigenous Pigmeat	46,870,428	F
10	Cabbages	32,000,000	F
11	Tomatoes	30,000,000	F
12	Cucumbers and Gherkins	25,500,000	*
13	Hen Eggs	24,000,000	F

14	Apples	20,500,000	F
15	Cow Milk, Whole, Fresh	18,500,000	F
16	Onions, Dry	18,000,000	F
17	Soybeans	17,750,000	*
18	Eggplants	16,500,000	F
19	Cantaloupes & other Melons	14,200,000	F
20	Groundnuts in Shell	14,000,000	F

Source : Food and Agriculture Organization, F = FAO estimate, \* = unofficial

## **X. THAILAND-CHINA TRADE AGREEMENT ON VEGETABLE (HS 07)**

### **1. Cassava situation of China**

#### **1.1 Production**

Since 1995, China's production of cassava was not enough to domestic demand. It had to import almost half of it from other countries. Compared to major Asian producers, China's production of cassava is much less than them. That is only one third of Indonesia's total production and one fifth of Thailand's total production.

#### **China's production, import, domestic consumption of cassava**

Year	Million tons			
	Total Production	Import	Domestic Consumption	Export
1995	3,501.06	2,340.15	5,801.50	39.82
1996	3,600.74	1,758.14	5,324.66	37.87
1997	3,650.90	2,402.92	6,008.06	47.67
1998	3,700.66	2,193.78	5,858.99	41.36
1999	3,750.72	2,892.30	6,601.29	44.14

Source : Foreign Trade Department, Ministry of Commerce, Thailand

#### **1.2 Import**

In 1999, for example, domestic demand of cassava account for about 6.6 million tons but China could produce only 3.75 million tons. It had to import cassava nearly 3 million tons to supply domestic industries.

Presently, China still depend on importing a great number of cassava from other countries. Apart from insufficient domestic supply, the main reason of import is the expansion of live stock industry, production of ethanol, alcohol, acetic acid and animal food which cassava is used as raw material instead of maize and sugar cane.

Prior to becoming member of WTO, China levied tariff 10% on import of cassava from Thailand and then reduce to only 5% after becoming member of WTO, in 2001. China then continuously increase import of cassava from Thailand.

### 1.3 Thailand Export of cassava to China and other countries (1994-2003)

Million of US dollars

Rank	Country	Jan-Dec 1999	Jan-Dec 2000	Jan-Dec 2001	Jan-Dec 2002	Jan-Dec 2003
0	The World	328.1613829	193.1091134	260.7501282	190.4115993	251.7935619
1	China	14.90841984	3.690470191	94.8003298	102.5041673	128.9425944
2	Spain	40.8047862	31.13980451	30.11632945	14.34202737	32.83652581
3	Netherlands	253.7494101	129.3596996	106.451367	57.30775636	53.83924265
4	Belgium	6.368641957	1.486783208	1.480219473	2.206017833	7.37316937
5	Portugal	5.349460126	11.7030528	12.05586227	8.343700535	20.25908334
6	Korea, South	0.002892227	0.731559119	10.6109127	1.906749551	0.047592084
7	Japan	1.678113574	1.462424171	1.244149156	1.410669361	1.681330075
8	Italy	4.625043685	0.939084934	0.188489817	0	2.854198392
9	Switzerland	0.000479271	0.000857306	0.749021588	0.000743045	0
10	Taiwan	0.059003637	0.621306128	0.844129274	0	1.901410879
11	Malaysia	0	0	6.95E-05	0.000772095	0.247950738
12	Singapore	7.85E-05	0.001549277	0.02742017	1.407646897	0
13	Philippines	0	0.57324961	0.284762819	0	0.452402467
14	Indonesia	0	0	0	0	0
15	United States	0.133465271	0.024048623	0.028693275	0.025337054	0.017053856
16	Australia	0.006182513	0.005318948	0.011703121	0.012498435	0.015646107
17	Myanmar	0	0	0	0	0.001481751

18	Canada	0.005921681	0	0.001215121	0.004267539	0.000984252
19	South Africa	0	0	0	0.000798103	0.335719434
20	New Zealand	0.000210937	0	0.000505382	0.001366849	0.000257172
21	Sweden	0.000565382	0.147121895	0.041034104	0.001026144	0
22	Lao People's Dem. Rep.	0	0	0	0	0
23	Hong Kong	8.01E-05	0	0.882419638	0	0
24	Greece	0	0	0	0	0
25	Croatia	0	0	0	0.607900721	0
26	Israel	0	1.134070507	0.000820345	0	0
27	India	0	0	0.007931423	0	9.32E-05
28	Iran	0	0	0	0	0.000717566
29	Cambodia	0	0.000179088	0	0	0
30	Korea, North	0	0	0	0.014317075	0
31	Austria	0	0	0	0	0
32	Germany	0.116969643	3.734026288	0.645871129	0.280615222	0.97178138
33	Estonia	0	4.57E-05	0	0	0
34	France	0	0	0	0	0
35	Sri Lanka	0	0.0229623	0.276871564	0.033221835	0.010620925
36	Mauritania	0	0	0	0	0.003706022
37	Nicaragua	0	0	0	0	0
38	Norway	0	0	0	0	0
39	Niue	0.351658275	0	0	0	0
40	Saudi Arabia	0	0	0	0	0
41	Swaziland	0	0.001051628	0	0	0
42	Turkey	0	6.330447557	0	0	0

Source : World Trade Atlas

Netherland used to be major export market of Thailand. But when China becoming member of WTO the market was diverted to China stead. Another reason

is that European countries strictly applied phytosanitary measure against import of cassava from Thailand.

## 2. Vegetables exported to China (Jan-Nov, 2004,2005)

HS code	Description	Jan-Nov 2004 FOB value (baht)	Jan-Nov 2005 FOB value (baht)
0702	Tomato, fresh or chilled	0	
0703	Onions, shallots, garlic, leek and other alliaceous vegetables, fresh or chilled	1,359,445	790,975
0706	Carrots, turnips, salad beetroot, dalsify, celeriac, radishes and similar edible roots, fresh or chilles	0	0
0709	Other vegetables, fresh or chilled	1,396,847	1,764,229
0710	Vegetables (uncooked or cooked by steaming or boiling in water)	4,753,039	10,249,956
0711	Vegetables provisionally preserved	1,531,598	7,200
0712	Dried vegetables, whole, cut, sliced, broken or in power, but not further prepared	2,826,951	649,183
0713	Dried leguminous vegetables, shelled, whether or not skinned or split	4,326,585	6,249,049
0714	Manioc (Cassava)	7,785,600,622	10,545,370,341

Source : Thai Customs Department

With this agreement, government proudly claims that Thailand has trade surplus over China on vegetable by strongly emphasize on cassava. In spite of the fact that export value of other vegetables is very small compared to import of the same products.

## 4. Vegetables imported from China (Jan-Nov 2005, 2005)

HS code	Description	Jan-Nov 2004 FOB value (baht)	Jan-Nov 2005 FOB value (baht)
0701	Potatoes, fresh or chilled	24,054,445	14,860,789
0702	Tomatoes, fresh or chilled	171,717	34,975
0703	<b>Onions, shallots, garlic, leek and other alliaceous vegetables, fresh or chilled</b>	262,535,573	<b>336,135,543</b>
0704	<b>Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled</b>	27,106,295	<b>101,268,550</b>



0705	Lettuce ( <i>lactuca sativa</i> ) and chicory ( <i>Cichorium spp.</i> ), fresh or chilled	505,505	5,002,116
0706	<b>Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled</b>	280,272,115	<b>502,219,337</b>
0708	Leguminous vegetables, shelled or unshelled , fresh or chilled	7,716,969	710
0709	Other vegetables, fresh or chilled	33,977,193	24,226,198

Source : Thai Customs Department

In exchange for export of cassava, the flux of cold-weather vegetable severely causes trouble to grass-root farmers including projects created by government itself to promote growing of cold-weather fruit and vegetable in Northern provinces of Thailand. Those projects has to be abolished because of high production cost compared to Chinas' products. Many growers of vegetable has to stop growing vegetables because their vegetables can not compete with those imported from China which are sold in the market much cheaper, especially onion, shallot and garlic, cauliflower, carrot, turnip.

In reality, in addition, most of vegetable grower are small entrepreneurs and not doing export by themselves. On the contrary, export-import companies are run by people who are not farmers. Therefore, the questions has been raised that who is beneficiary of Free Trade Agreement .

#### **Prices comparison of some vegetables sold in the Thailand market**

	Type	China/ average price (baht/ kg)	Thailand/ average price (baht/kg)
1	Broccoli	11.67	40.95
2	Garden Pea	11.85	53.45
3	Spinach	8.63	34.77
4	Sugar Pea	10.82	57.02
5	Celery	10.51	25.13
6	Lettuce	9.07	16.22
7	Cabbage	4.38	4.83
8	Chinese Kale	12.26	60.00

Source : FTA Monitoring Group, Thammasat University

## **XI. CONCLUSION**

China has imported and depended on import of cassava from Thailand and other countries for many years ago. No matter there is Free Trade Agreement on vegetable, China will continue importing from Thailand more or less. Tariff reduction according to agreement might make Thailand export more cassava to China but it is not a major reasons that China increase imports from Thailand.

Agricultural sector, especially small entrepreneurs, is sensitive to economy of Thailand. Even if its trade value can not compare with other products of agricultural sector but it has been nurtured by farmers from generation to generation like heritage. There is no objection that that free trade agreement is a way of promoting trade between contracting parties. In doing so, government has to thoroughly consider what sector should open to free trade and what possible impact might occur to domestic growers and market including how to solve the problem in advance. In fact, government never conducts any study to analyze the impact of agreement to domestic growers and market before entering into the agreement. Its decision to open vegetable market is intentionally made for cassava regardless of the impact on other vegetables. As shown in vegetable export statistics, Thailand does not has any benefit from agreement on vegetable. In return, China is the real beneficiary of agreement.

Most of domestic vegetable growers are small business or so-called family business. They lack of technology and management to develop their farming. Before opening market to free trade they should have a period of time to make adjustment and to find alternative for their career. Sensitive list seems to be a good option but the government did not choose. On the contrary, government signed agreement between

Thailand and China to accelerate free trade on vegetable prior to implementation of “Early Harvest Program” under ASEAN–China agreement on Trade in Goods which is effective on January 2005. In the future, Thai vegetable growers will definitely be extinct from Thailand’s history and turn themselves to other career if they can not develop their farming.

80% of Chinese population are in agricultural sector. China’s production capacity on vegetables is much stronger than Thailand. Moreover, production cost is also much cheaper than Thailand. Therefore, Thailand’s trade on vegetable sector, except cassava, will continue losing market to China.

Undoubtedly, trade Agreement will continue but the government should implements any measures to help Thai farmers survive with their long-run career. For examples, 1) Promote planting of substitute for vegetables defeated by China’s vegetables 2) Provide alternatives, such as organic vegetables, in order to avoid competing with China’s products which are greater on either quantity and price including to seek new markets interested in organic vegetable for the farmers. 3) Develop and disseminate “processed agriculture” to farmers in order to add value instead of selling the same products as China’s products in the market and, definitely, the government must seek foreign market through overseas government offices. 4) Educate farmers to apply technology and management to improve their planting.

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## APPENDIX A

### AGREEMENT ON TRADE IN GOODS OF THE FRAMEWORK AGREEMENT ON COMPREHENSIVE ECONOMIC CO-OPERATION BETWEEN THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS AND THE PEOPLE'S REPUBLIC OF CHINA

The Governments of Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao People's Democratic Republic ("Lao PDR"), Malaysia, the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand and the Socialist Republic of Viet Nam, Member States of the Association of Southeast Asian Nations (collectively, "ASEAN" or "ASEAN Member States", or individually, "ASEAN Member State"), and the People's Republic of China ("China");

**RECALLING** the Framework Agreement on Comprehensive Economic Co-operation ("the Framework Agreement") between ASEAN and China (collectively, "the Parties", or individually referring to an ASEAN Member State or to China as a "Party") signed by the Heads of Government/State of ASEAN Member States and China in Phnom Penh, Cambodia on the 4th day of November 2002 and the Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation on the Early Harvest Programme signed by the Economic Ministers of the Parties in Bali, Indonesia on 6 October 2003;

**RECALLING** further Articles 2(a), 3(1) and 8(1) of the Framework Agreement, which reflect the Parties' commitment to establish the ASEAN-China Free Trade Area (ACFTA) covering trade in goods by 2010 for ASEAN 6 and China and by 2015 for the newer ASEAN Member States;

**REAFFIRMING** the Parties' commitment to establish the ASEAN-China Free Trade Area within the specified timeframes, while allowing flexibility to the Parties to address their sensitive areas as provided in the Framework Agreement,

**HAVE AGREED AS FOLLOWS:**

#### ARTICLE 1 Definitions

For the purposes of this Agreement, the following definitions shall apply unless the context otherwise requires:

- (a) "WTO" means the World Trade Organization;
- (b) "the GATT 1994" means the General Agreement on Tariffs and Trade 1994, including Annex I (Notes and Supplementary Provisions);
- (c) "ASEAN 6" refers to Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand;

- (d) “newer ASEAN Member States” refers to Cambodia, Lao PDR, Myanmar and Viet Nam;
- (e) “applied MFN tariff rates” shall include in-quota rates, and 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;
- (f) “non-tariff measures” shall include non-tariff barriers;
- (g) “AEM” means ASEAN Economic Ministers;
- (h) “MOFCOM” means Ministry of Commerce of China;
- (i) “SEOM” means ASEAN Senior Economic Officials Meeting.

## **ARTICLE 2**

### **National Treatment on Internal Taxation and Regulation**

Each Party shall accord national treatment to the products of all the other Parties covered by this Agreement and the Framework Agreement in accordance with Article III of the GATT 1994. To this end, the provisions of Article III of the GATT 1994 shall, *mutatis mutandis*, be incorporated into and form an integral part of this Agreement.

## **ARTICLE 3**

### **Tariff Reduction and Elimination**

1. The tariff reduction or elimination programme of the Parties shall require the applied MFN tariff rates on listed tariff lines to be gradually reduced and where applicable, eliminated, in accordance with this Article.
2. The tariff lines which are subject to the tariff reduction or elimination programme under this Agreement shall include all tariff lines not covered by the Early Harvest Programme under Article 6 of the Framework Agreement, and such tariff lines shall be categorised for tariff reduction and elimination as follows:
  - (a) Normal Track: Tariff lines placed in the Normal Track by each Party on its own accord shall have their respective applied MFN tariff rates gradually reduced and eliminated in accordance with the modalities set out in Annex 1 of this Agreement with the objective of achieving the targets prescribed in the thresholds therein.
  - (b) Sensitive Track: Tariff lines placed in the Sensitive Track by each

Party on its own accord shall have their respective applied MFN tariff rates reduced or eliminated in accordance with the modalities set out in Annex 2 of this Agreement.

3. Subject to Annex 1 and Annex 2 of this Agreement, all commitments undertaken by each Party under this Article shall be applied to all the other Parties.

#### **ARTICLE 4 Transparency**

Article X of the GATT 1994 shall, *mutatis mutandis*, be incorporated into and form an integral part of this Agreement.

#### **ARTICLE 5 Rules of Origin**

The Rules of Origin and the Operational Certification Procedures applicable to the products covered under this Agreement and the Early Harvest Programme of the Framework Agreement are set out in Annex 3 of this Agreement.

#### **ARTICLE 6 Modification of Concessions**

1. Any Party to this Agreement may, by negotiation and agreement with any Party to which it has made a concession under this Agreement, modify or withdraw such concession made under this Agreement.
2. In such negotiations and agreement, which may include provision for compensatory adjustment with respect to other products, the Parties concerned shall maintain a general level of reciprocal and mutually advantageous concessions not less favorable to trade than that provided for in this Agreement prior to such negotiations and agreement.

#### **ARTICLE 7 WTO Disciplines**

1. Subject to the provisions of this Agreement and any future agreements as may be agreed pursuant to reviews of this Agreement by the Parties under Article 17 of this Agreement, the Parties<sup>1</sup> hereby agree and reaffirm their commitments to abide by the provisions of the WTO disciplines on, among others, non-tariff measures, technical barriers to trade, sanitary and phytosanitary measures, subsidies and countervailing measures, anti-dumping measures and intellectual property rights.

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<sup>1</sup> Non-WTO members of ASEAN shall abide by the WTO provisions in accordance with their accession commitments to the WTO.

2. The provisions of the WTO Multilateral Agreements on Trade in Goods, which are not specifically mentioned in or modified by this Agreement, shall apply, *mutatis mutandis*, to this Agreement unless the context otherwise requires.

## **ARTICLE 8**

### **Quantitative Restrictions and Non-Tariff Barriers**

1. Each Party undertakes not to maintain any quantitative restrictions at any time unless otherwise permitted under the WTO disciplines.<sup>2</sup>
2. The Parties shall identify non-tariff barriers (other than quantitative restrictions) for elimination as soon as possible after the entry into force of this Agreement. The time frame for elimination of these non-tariff barriers shall be mutually agreed upon by all Parties.
3. The Parties shall make information on their respective quantitative restrictions available and accessible upon implementation of this Agreement.

## **ARTICLE 9**

### **Safeguard Measures**

1. Each Party, which is a WTO member, retains its rights and obligations under Article XIX of the GATT 1994 and the WTO Agreement on Safeguards.
2. With regard to ACFTA safeguard measures, a Party shall have the right to initiate such a measure on a product within the transition period for that product. The transition period for a product shall begin from the date of entry into force of this Agreement and end five years from the date of completion of tariff elimination/reduction for that product.
3. A Party shall be free to take ACFTA safeguard measures if as an effect of the obligations incurred by that Party, including tariff concessions under the Early Harvest Programme of the Framework Agreement or this Agreement, or, if as a result of unforeseen developments and of the effects of the obligations incurred by that Party, including tariff concessions under the Early Harvest Programme of the Framework Agreement or this Agreement, imports of any particular product from the other Parties increase in such quantities, absolute or relative to domestic production, and under such conditions so as to cause or threaten to cause serious injury to the domestic industry of the importing Party that produces like or directly competitive products.

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<sup>2</sup> Non-WTO members of ASEAN shall phase out their quantitative restrictions 3 years [Viet Nam: 4 years] from the date of entry into force of this Agreement or in accordance with their accession commitments to the WTO, whichever is earlier.

4. If an ACFTA safeguard measure is taken, a Party taking such a measure may increase the tariff rate applicable to the product concerned to the WTO MFN tariff rate applied to such product at the time when the measure is taken.
5. Any ACFTA safeguard measure may be maintained for an initial period of up to 3 years and may be extended for a period not exceeding 1 year. Notwithstanding the duration of an ACFTA safeguard measure on a product, such measure shall terminate at the end of the transition period for that product.
6. In applying ACFTA safeguard measures, the Parties shall adopt the rules for the application of safeguard measures as provided under the WTO Agreement on Safeguards, with the exception of the quantitative restriction measures set out in Article 5, and Articles 9, 13 and 14 of the WTO Agreement on Safeguards. As such, all other provisions of the WTO Agreement on Safeguards shall, *mutatis mutandis*, be incorporated into and form an integral part of this Agreement.
7. An ACFTA safeguard measure shall not be applied against a product originating in a Party, so long as its share of imports of the product concerned in the importing Party does not exceed 3% of the total imports from the Parties.
8. In seeking compensation under Article 8 of the WTO Agreement on Safeguards for an ACFTA safeguard measure, the Parties shall seek the good offices of the body referred to in paragraph 12 to determine the substantially equivalent level of concessions prior to any suspension of equivalent concessions. Any proceedings arising from such good offices shall be completed within 90 days from the date on which the ACFTA safeguard measure was applied.
9. On a Party's termination of an ACFTA safeguard measure on a product, the tariff rate for that product shall be the rate that, according to that Party's tariff reduction and elimination schedule, as provided in Annex 1 and Annex 2 of this Agreement, would have been in effect commencing on 1 January of the year in which the safeguard measure is terminated.
10. All official communications and documentations exchanged among the Parties and to the body referred to in paragraph 12 relating to any ACFTA safeguard measures shall be in writing and shall be in the English language.
11. When applying ACFTA safeguard measures, a Party shall not have simultaneous recourse to the WTO safeguard measures referred to in paragraph 1.
12. For the purpose of this Article, any reference to "Council for Trade in Goods" or the "Committee on Safeguards" in the incorporated provisions of the WTO Agreement on Safeguards shall, pending the establishment of a permanent body under paragraph 1 of Article 15, refer to the AEM-MOFCOM, or the SEOM-MOFCOM, as appropriate, which shall be replaced by the permanent body once it is established.



**ARTICLE 10**  
**Acceleration of Commitments**

Nothing in this Agreement shall preclude the Parties from negotiating and entering into arrangements to accelerate the implementation of commitments made under this Agreement, provided that such arrangements are mutually agreed to and implemented by all the Parties.

**ARTICLE 11**  
**Measures to Safeguard the Balance of Payments**

Where a Party is in serious balance of payments and external financial difficulties or threat thereof, it may, in accordance with the GATT 1994 and the Understanding on Balance-of-Payments Provisions of the GATT 1994, adopt restrictive import measures.

**ARTICLE 12**  
**General Exceptions**

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between the Parties where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by a Party of measures:

- (a) necessary to protect public morals;
- (b) necessary to protect human, animal or plant life or health;
- (c) relating to the importations or exportations of gold or silver;
- (d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement, including those relating to customs enforcement, the enforcement of monopolies operated under paragraph 4 of Article II and Article XVII of the GATT 1994, the protection of patents, trade marks and copyrights, and the prevention of deceptive practices;
- (e) relating to the products of prison labour;
- (f) imposed for the protection of national treasures of artistic, historic or archaeological value;
- (g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

- (h) undertaken in pursuance of obligations under any intergovernmental commodity agreement which conforms to criteria submitted to the WTO and not disapproved by it or which is itself so submitted and not so disapproved;
- (i) involving restrictions on exports of domestic materials necessary to ensure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; *Provided* that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry, and shall not depart from the provisions of this Agreement relating to non-discrimination;
- (j) essential to the acquisition or distribution of products in general or local short supply; *Provided* that any such measures shall be consistent with the principle that all Parties are entitled to an equitable share of the international supply of such products, and that any such measures, which are inconsistent with the other provisions of this Agreement shall be discontinued as soon as the conditions giving rise to them have ceased to exist.

### **ARTICLE 13** **Security Exceptions**

Nothing in this Agreement shall be construed:

- (a) to require any Party to furnish any information the disclosure of which it considers contrary to its essential security interests;
- (b) to prevent any Party from taking any action which it considers necessary for the protection of its essential security interests, including but not limited to:
  - (i) action relating to fissionable materials or the materials from which they are derived;
  - (ii) action relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;
  - (iii) action taken so as to protect critical communications infrastructure from deliberate attempts intended to disable or degrade such infrastructure;
  - (iv) action taken in time of war or other emergency in domestic or international relations; or
- (c) to prevent any Party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

**ARTICLE 14**  
**Recognition of China's Market Economy Status**

Each of the ten ASEAN Member States agrees to recognise China as a full market economy and shall not apply, from the date of the signature of this Agreement, Sections 15 and 16 of the Protocol of Accession of the People's Republic of China to the WTO and Paragraph 242 of the Report of the Working Party on the Accession of China to WTO in relation to the trade between China and each of the ten ASEAN Member States.

**ARTICLE 15**  
**State, Regional and Local Government**

In fulfilling its obligations and commitments under this Agreement, each Party shall ensure their observance by regional and local governments and authorities in its territory as well as their observance by non-governmental bodies (in the exercise of powers delegated by central, state, regional or local governments or authorities) within its territory.

**ARTICLE 16**  
**Institutional Arrangements**

1. Pending the establishment of a permanent body, the AEM-MOFCOM, supported and assisted by the SEOM-MOFCOM, shall oversee, supervise, coordinate and review the implementation of this Agreement.
2. The ASEAN Secretariat shall monitor and report to the SEOM-MOFCOM on the implementation of this Agreement. All Parties shall cooperate with the ASEAN Secretariat in the performance of its duties.
3. Each Party shall designate a contact point to facilitate communications between the Parties on any matter covered by this Agreement. On the request of a Party, the contact point of the requested Party shall identify the office or official responsible for the matter and assist in facilitating communication with the requesting Party.

**ARTICLE 17**  
**Review**

1. The AEM-MOFCOM or their designated representatives shall meet within a year of the date of entry into force of this Agreement and then biennially or otherwise as appropriate to review this Agreement for the purpose of considering further measures to liberalise trade in goods as well as develop

disciplines and negotiate agreements on matters referred to in Article 7 of this Agreement or any other relevant matters as may be agreed.

2. The Parties shall, taking into account their respective experience in the implementation of this Agreement, review the Sensitive Track in 2008 with a view to improving the market access condition of sensitive products, including the further possible reduction of the number of products in the Sensitive Track and the conditions governing the reciprocal tariff rate treatment of products placed by a Party in the Sensitive Track.

## **ARTICLE 18**

### **Annexes and Future Instruments**

This Agreement shall include:

- (a) the Annexes and the contents therein which shall form an integral part of this Agreement: and
- (b) all future legal instruments agreed pursuant to this Agreement.

## **ARTICLE 19**

### **Amendments**

This Agreement may be amended by the mutual written consent of the Parties.

## **ARTICLE 20**

### **Miscellaneous Provisions**

Except as otherwise provided in this Agreement, this Agreement or any action taken under it shall not affect or nullify the rights and obligations of a Party under existing agreements to which it is a party.

## **ARTICLE 21**

### **Dispute Settlement**

The Agreement on Dispute Settlement Mechanism between ASEAN and China shall apply to this Agreement.

## **ARTICLE 22**

### **Depositary**

For the ASEAN Member States, this Agreement shall be deposited with the Secretary-General of ASEAN, who shall promptly furnish a certified copy thereof, to each ASEAN Member State.

## **ARTICLE 23**

### **Entry Into Force**

1. This Agreement shall enter into force on 1 January 2005.
2. The Parties undertake to complete their internal procedures for the entry into force of this Agreement prior to 1 January 2005.
3. Where a Party is unable to complete its internal procedures for the entry into force of this Agreement by 1 January 2005, the rights and obligations of that Party under this Agreement shall commence on the date of the completion of such internal procedures.
4. A Party shall upon the completion of its internal procedures for the entry into force of this Agreement notify all the other Parties in writing.

IN WITNESS WHEREOF, the undersigned being duly authorised by their respective Governments, have signed this Agreement on Trade in Goods between the Association of Southeast Asian Nations and the People's Republic of China.

DONE at, Vientiane, Lao PDR this \_\_\_\_ Day of November in the Year Two Thousand and Four, in duplicate copies in the English Language.

*For Brunei Darussalam*

*For the People's Republic of China*

**PEHIN DATO ABDUL RAHMAN TAIB**  
Minister of Industry and Primary Resources

**BO XILAI**  
Minister of Commerce

*For the Kingdom of Cambodia*

**CHAM PRASIDH**  
Senior Minister and Minister of Commerce

*For the Republic of Indonesia*

**MARI ELKA PANGESTU**  
Minister for Trade

*For the Lao People's Democratic Republic*

**SOULIVONG DARAVONG**

Minister of Commerce

*For Malaysia*

**RAFIDAH AZIZ**

Minister of International Trade and Industry

*For the Union of Myanmar*

**TIN WINN**

Minister for Economic Cooperation

*For the Republic of the Philippines*

**CESAR V. PURISIMA**

Secretary of Trade and Industry

*For the Republic of Singapore*

**LIM HNG KIANG**

Minister for Trade and Industry

*For the Kingdom of Thailand*

**WATANA MUANGSOOK**

Minister of Commerce

*For the Socialist Republic of Viet Nam*

**TRUONG DINH TUYEN**  
Minister of Trade

**Modality for Tariff Reduction and Elimination for Tariff Lines  
Placed in the Normal Track**

1. Tariff lines placed by each Party in the Normal Track on its own accord shall have their respective applied MFN tariff rates gradually reduced and eliminated according to the following Schedules:

**(i) ASEAN 6 and China**

<b>X = Applied MFN Tariff Rate</b>	<b>ACFTA Preferential Tariff Rate (Not later than 1 January)</b>			
	<b>2005*</b>	<b>2007</b>	<b>2009</b>	<b>2010</b>
$X \geq 20\%$	20	12	5	0
$15\% \leq x < 20\%$	15	8	5	0
$10\% \leq x < 15\%$	10	8	5	0
$5\% < x < 10\%$	5	5	0	0
$X \leq 5\%$	Standstill			0

\* The first date of implementation shall be 1 July 2005.

**(ii) Viet Nam**

<b>X = Applied MFN Tariff Rate</b>	<b>ACFTA Preferential Tariff Rate (Not later than 1 January)</b>								
	<b>2005*</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>	<b>2015</b>	
$X \geq 60\%$	60	50	40	30	25	15	10	0	
$45\% \leq X < 60\%$	40	35	35	30	25	15	10	0	
$35\% \leq X < 45\%$	35	30	30	25	20	15	5	0	
$30\% \leq X < 35\%$	30	25	25	20	17	10	5	0	
$25\% \leq X < 30\%$	25	20	20	15	15	10	5	0	
$20\% \leq X < 25\%$	20	20	15	15	15	10	0-5	0	
$15\% \leq X < 20\%$	15	15	10	10	10	5	0-5	0	
$10\% \leq X < 15\%$	10	10	10	10	8	5	0-5	0	
$7\% \leq X < 10\%$	7	7	7	7	5	5	0-5	0	
$5\% \leq X < 7\%$	5	5	5	5	5	5	0-5	0	
$X < 5\%$	Standstill								0

\* The first date of implementation shall be 1 July 2005.



(iii) Cambodia, Lao PDR and Myanmar

X = Applied MFN Tariff Rate	ACFTA Preferential Tariff Rate (Not later than 1 January)							
	2005*	2006	2007	2008	2009	2011	2013	2015
$X \geq 60\%$	60	50	40	30	25	15	10	0
$45\% \leq X < 60\%$	40	35	35	30	25	15	10	0
$35\% \leq X < 45\%$	35	35	30	30	20	15	5	0
$30\% \leq X < 35\%$	30	25	25	20	20	10	5	0
$25\% \leq X < 30\%$	25	25	25	20	20	10	5	0
$20\% \leq X < 25\%$	20	20	15	15	15	10	0-5	0
$15\% \leq X < 20\%$	15	15	15	15	15	5	0-5	0
$10\% \leq X < 15\%$	10	10	10	10	8	5	0-5	0
$7\% \leq X < 10\%$	7**	7**	7**	7**	7**	5	0-5	0
$5\% \leq X < 7\%$	5	5	5	5	5	5	0-5	0
$X < 5\%$	Standstill							0

\* The first date of implementation shall be 1 July 2005.

\*\* Myanmar shall be allowed to maintain ACFTA Rates at no more than 7.5% until 2010.

2. If a Party places a tariff line in the Normal Track, that Party shall enjoy the tariff concessions other Parties have made for that tariff line as specified in and applied pursuant to the relevant Schedules either in Annex 1 or Annex 2 together with the undertakings and conditions set out therein. This right shall be enjoyed for so long as that Party adheres to its own commitments for tariff reduction and elimination for that tariff line.

3. The tariffs rates specified in the relevant Schedules in paragraph 1 only set out the level of the applicable ACFTA preferential tariff rates to be applied by each Party for the tariff lines concerned in the specified year of implementation and shall not prevent any Party from unilaterally accelerating its tariff reduction or elimination at any time if it so wishes.

4. Tariff lines in the Normal Track, which are subject to specific tariff rates, shall have such tariffs reduced to zero, in equal proportions in accordance with the timeframes provided in the Schedules set out in paragraph 1 of this Annex.

5. For all tariff lines placed in the Normal Track where the applied MFN tariff rates are at 0%, they shall remain at 0%. Where they have been reduced to 0%, they shall remain at 0%. No Party shall be permitted to increase the tariff rates for any tariff line, except as otherwise provided by the Agreement.

6. As an integral part of its commitments to reduce and/or eliminate the applied MFN tariff rates in accordance with the relevant Schedules in paragraph 1, each Party hereby commits to undertake further tariff reduction and/or elimination in accordance with the following thresholds:

**(a) ASEAN 6 and China**

(i) Each Party shall reduce to 0-5% not later than 1 July 2005 the tariff rates for at least 40% of its tariff lines placed in the Normal Track.

(ii) Each Party shall reduce to 0-5% not later than 1 January 2007 the tariff rates for at least 60% of its tariff lines placed in the Normal Track.

(iii) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2010, with flexibility to have tariffs on some tariff lines, not exceeding 150 tariff lines, eliminated not later than 1 January 2012.

(iv) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2012.

**(b) Newer ASEAN Member States**

(i) Each Party shall reduce to 0-5% not later than 1 January 2009 for Viet Nam; 1 January 2010 for Lao PDR and Myanmar; and 1 January 2012 for Cambodia the tariff rates for at least 50% of its tariff lines placed in the Normal Track.

(ii) Cambodia, Lao PDR and Myanmar shall eliminate their respective tariffs not later than 1 January 2013 on 40% of its tariff lines placed in the Normal Track.

(iii) For Viet Nam, the percentage of Normal Track tariff lines to have their tariffs eliminated not later than 1 January 2013 shall be determined not later than 31 December 2004.

(iv) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2015, with flexibility to have tariffs on some tariff lines, not exceeding 250 tariff lines, eliminated not later than 1 January 2018.

(v) Each Party shall eliminate all its tariffs for tariff lines placed in the Normal Track not later than 1 January 2018.

7. The tariff lines listed by the Parties in Appendix 1 shall have their respective ACFTA tariffs eliminated not later than 1 January 2012 for ASEAN 6 and China, and 1 January 2018 for CLMV.



Modality for Tariff Reduction/Elimination for Tariff Lines  
Placed in the Sensitive Track

1. The number of tariff lines which each Party can place in the Sensitive Track shall be subject to a maximum ceiling of:

(i) ASEAN 6 and China:

400 tariff lines at the HS 6-digit level and 10% of the total import value, based on 2001 trade statistics;

(ii) Cambodia, Lao PDR and Myanmar:

500 tariff lines at the HS 6-digit level; and

(iii) Viet Nam:

500 tariff lines at the HS 6-digit level, and the ceiling of import value shall be determined not later than 31 December 2004.

2. Tariff lines placed by each Party in the Sensitive Track shall be further classified into Sensitive List and Highly Sensitive List. However, tariff lines placed by each Party in the Highly Sensitive List shall be subject to the following ceilings:

(i) ASEAN 6 and China:

not more than 40% of the total number of tariff lines in the Sensitive Track or 100 tariff lines at the HS 6-digit level, whichever is lower;

(ii) Cambodia, Lao PDR and Myanmar:

not more than 40% of the total number of tariff lines in the Sensitive Track or 150 tariff lines at the HS 6-digit level, whichever is lower; and

(iii) Viet Nam:

shall be determined not later than 31 December 2004.

3. The Parties shall reduce and, where applicable, eliminate the applied MFN tariff rates of tariff lines placed in the Sensitive Track according to the following Schedules:

(i) ASEAN 6 and China shall reduce the applied MFN tariff rates of tariff lines placed in their respective Sensitive Lists to 20% not later than 1 January 2012. These tariff rates shall be subsequently reduced to 0-5% not later than 1 January 2018.

- (ii) Cambodia, Lao PDR and Myanmar shall reduce the applied MFN tariff rates of tariff lines placed in their respective Sensitive Lists to 20% not later than 1 January 2015. These tariff rates shall be subsequently reduced to 0-5% not later than 1 January 2020.

Viet Nam shall reduce the applied MFN tariff rates of tariff lines placed in its Sensitive Lists not later than 1 January 2015 to a rate to be determined not later than 31 December 2004. These tariff rates shall be subsequently reduced to 0-5% not later than 1 January 2020.

- (iii) The Parties shall reduce the applied MFN tariff rates of tariff lines placed in their respective Highly Sensitive Lists to not more than 50% not later than 1 January 2015 for ASEAN 6 and China, and 1 January 2018 for the newer ASEAN Member States.

4. Tariff lines in the Sensitive Track, which are subject to specific tariff rates, shall have such tariffs reduced in accordance with the timeframes provided in paragraph 3 of this Annex. The proportion of tariff reduction for these tariff lines shall be equal to the average margin of tariff reduction of the tariff lines with ad-valorem tariff rates under the Sensitive Track, which are subject to tariff reduction in the same year.

5. Notwithstanding the Schedules in paragraph 3, any Party may unilaterally accelerate the tariff reduction and/or elimination for its tariff lines placed in the Sensitive Track at any time if it so wishes. Nothing in this Agreement shall prevent any Party from unilaterally transferring any tariff line from the Sensitive Track into the Normal Track at any time if it so wishes.

6. The reciprocal tariff rate treatment of tariff lines placed by a Party in the Sensitive Track shall be governed by the following conditions:

- (i) the tariff rate for a tariff line placed by a Party in the Sensitive Track must be at 10% or below in order for that Party to enjoy reciprocity;
- (ii) the reciprocal tariff rate to be applied to a tariff line placed by a Party in the Sensitive Track shall be either the tariff rate of that Party's tariff line, or the Normal Track tariff rate of the same tariff line of the other Party or Parties from whom reciprocity is sought, whichever is higher; and
- (iii) the reciprocal tariff rate to be applied to a tariff line placed by a Party in the Sensitive Track shall in no case exceed the applied MFN rate of the same tariff line of the Party or Parties from whom reciprocity is sought.

7. The treatment of tariff lines of the Parties subject to in-quota and out-quota rates, including the modalities for tariff reduction/elimination, shall be discussed and mutually agreed by the Parties not later than 31 March 2005. The discussions shall include, but not be limited to, the in-quota and out-quota rates.

8. The tariff lines listed by each Party in the Sensitive List and Highly Sensitive List under the Sensitive Track are respectively set out in Appendix 1 and Appendix 2 of this Annex.

**RULES OF ORIGIN FOR THE ASEAN–CHINA FREE TRADE AREA**

In determining the origin of products eligible for the preferential tariff concession pursuant to the Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People’s Republic of China (hereinafter referred to as “the Agreement”), the following Rules shall be applied:

**RULE 1: DEFINITIONS**

For the purpose of this Annex:

- (a) “a Party” means the individual parties to the Agreement i.e. Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao People’s Democratic Republic (“Lao PDR”), Malaysia, the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand, the Socialist Republic of Vietnam and the People’s Republic of China (“China”).
- (b) “materials” shall include ingredients, parts, components, subassembly and/or goods that were physically incorporated into another good or were subject to a process in the production of another good.
- (c) "Originating goods" means products that qualify as originating in accordance with the provisions of Rule 2.
- (d) "production" means methods of obtaining goods including growing, mining, harvesting, raising, breeding, extracting, gathering, collecting, capturing, fishing, trapping, hunting, manufacturing, producing, processing or assembling a good.
- (e) “Product Specific Rules” are rules that specify that the materials have undergone a change in tariff classification or a specific manufacturing or processing operation, or satisfy an ad valorem criterion or a combination of any of these criteria.

**RULE 2: ORIGIN CRITERIA**

For the purposes of this Agreement, products imported by a Party shall be deemed to be originating and eligible for preferential concessions if they conform to the origin requirements under any one of the following:

- (a) Products which are wholly obtained or produced as set out and defined in Rule 3; or
- (b) Products not wholly produced or obtained provided that the said products are eligible under Rule 4, Rule 5 or Rule 6.

### **RULE 3: WHOLLY OBTAINED PRODUCTS**

Within the meaning of Rule 2 (a), the following shall be considered as wholly produced or obtained in a Party:

- (a) Plant<sup>3</sup> and plant products harvested, picked or gathered there;
- (b) Live animals<sup>4</sup> born and raised there;
- (c) Products<sup>5</sup> obtained from live animals referred to in paragraph above;
- (d) Products obtained from hunting, trapping, fishing, aquaculture, gathering or capturing conducted there;
- (e) Minerals and other naturally occurring substances, not included in paragraphs (a) to (d), extracted or taken from its soil, waters, seabed or beneath their seabed;
- (f) Products taken from the waters, seabed or beneath the seabed outside the territorial waters of that Party, provided that that Party has the rights to exploit such waters, seabed and beneath the seabed in accordance with international law;
- (g) Products of sea fishing and other marine products taken from the high seas by vessels registered with a Party or entitled to fly the flag of that Party;
- (h) Products processed and/or made on board factory ships registered with a Party or entitled to fly the flag of that Party, exclusively from products referred to in paragraph (g) above;
- (i) Articles collected there which can no longer perform their original purpose nor are capable of being restored or repaired and are fit only for disposal or recovery of parts of raw materials, or for recycling purposes<sup>6</sup>; and
- (j) Goods obtained or produced in a Party solely from products referred to in paragraphs (a) to (i) above.

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<sup>3</sup> Plant here refers to all plant life, including fruit, flowers, vegetables, trees, seaweed, fungi and live plants

<sup>4</sup> Animals referred to in paragraph (b) and (c) covers all animal life, including mammals, birds, fish, crustaceans, molluscs, reptiles, bacteria and viruses.

<sup>5</sup> Products refer to those obtained from live animals without further processing, including milk, eggs, natural honey, hair, wool, semen and dung.

<sup>6</sup> This would cover all scrap and waste including scrap and waste resulting from manufacturing or processing operations or consumption in the same country, scrap machinery, discarded packaging and all products that can no longer perform the purpose for which they were produced and are fit only for discarding or for the recovery of raw materials. Such manufacturing or processing operations shall include all types of processing, not only industrial or chemical but also mining, agriculture, construction, refining, incineration and sewage treatment operations.

**RULE 4: NOT WHOLLY PRODUCED OR OBTAINED**

(a) For the purposes of Rule 2(b), a product shall be deemed to be originating if:

(i) Not less than 40% of its content originates from any Party; or

(ii) If the total value of the materials, part or produce originating from outside of the territory of a Party (i.e. non-ACFTA) does not exceed 60% of the FOB value of the product so produced or obtained provided that the final process of the manufacture is performed within the territory of the Party.

(b) For the purposes of this Annex, the originating criteria set out in Rule 4(a)(ii) shall be referred to as the "ACFTA content". The formula for the 40% ACFTA content is calculated as follows:

$\frac{\text{Value of Non-ACFTA materials} + \text{Value of materials of Undetermined origin}}{\text{FOB Price}} \times 100 \% < 60\%$
Therefore, the ACFTA content: 100% - non-ACFTA material = at least 40%

(c) The value of the non-originating materials shall be:

(i) the CIF value at the time of importation of the materials; or

(ii) the earliest ascertained price paid for the materials of undetermined origin in the territory of the Party where the working or processing takes place.

(d) For the purpose of this Rule, "originating material" shall be deemed to be a material whose country of origin, as determined under these rules, is the same country as the country in which the material is used in production.

**RULE 5: CUMULATIVE RULE OF ORIGIN**

Unless otherwise provided for, products which comply with origin requirements provided for in Rule 2 and which are used in the territory of a Party as materials for a finished product eligible for preferential treatment under the Agreement shall be considered as products originating in the territory of the Party where working or processing of the finished product has taken place provided that the aggregate ACFTA content (i.e. full cumulation, applicable among all Parties) on the final product is not less than 40%.

**RULE 6: PRODUCT SPECIFIC CRITERIA**



Products which have undergone sufficient transformation in a Party shall be treated as originating goods of that Party. Products which satisfy the Product Specific Rules provided for in Attachment B shall be considered as goods to which sufficient transformation has been carried out in a Party.

**RULE 7: MINIMAL OPERATIONS AND PROCESSES**

Operations or processes undertaken, by themselves or in combination with each other for the purposes listed below, are considered to be minimal and shall not be taken into account in determining whether a good has been wholly obtained in one country:

- (a) ensuring preservation of goods in good condition for the purposes of transport or storage;
- (b) facilitating shipment or transportation;
- (c) packaging<sup>7</sup> or presenting goods for sale.

**RULE 8: DIRECT CONSIGNMENT**

The following shall be considered as consigned directly from the exporting Party to the importing Party:

- (a) If the products are transported passing through the territory of any other ACFTA member states;
- (b) If the products are transported without passing through the territory of any non-ACFTA member states;
- (c) The products whose transport involves transit through one or more intermediate non-ACFTA member states with or without transshipment or temporary storage in such countries, provided that:
  - (i) the transit entry is justified for geographical reason or by consideration related exclusively to transport requirements;
  - (ii) the products have not entered into trade or consumption there; and
  - (iii) the products have not undergone any operation there other than unloading and reloading or any operation required to keep them in good condition.

**RULE 9: TREATMENT OF PACKING**

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<sup>7</sup> This excludes encapsulation which is termed "packaging" by the electronics industry.

(a) Where for purposes of assessing customs duties, a Party treats products separately from their packing, it may also, in respect of its imports consigned from another Party, determine separately the origin of such packing.

(b) Where paragraph (a) above is not applied, packing shall be considered as forming a whole with the products and no part of any packing required for their transport or storage shall be considered as having been imported from outside the ACFTA when determining the origin of the products as a whole.

**RULE 10: ACCESSORIES, SPARE PARTS AND TOOLS**

The origin of accessories, spare parts, tools and instructional or other information materials presented with the goods therewith shall be neglected in determining the origin of the goods, provided that such accessories, spare parts, tools and information materials are classified and collected customs duties with the goods by the importing member state.

**RULE 11: NEUTRAL ELEMENTS**

Unless otherwise provided, for the purpose of determining the origin of goods, the origin of power and fuel, plant and equipment, or machines and tools used to obtain the goods, or the materials used in its manufacture which do not remain in the goods or form part of the goods, shall not be taken into account.

**RULE 12: CERTIFICATE OF ORIGIN**

A claim that products shall be accepted as eligible for preferential concession shall be supported by a Certificate of Origin issued by a government authority designated by the exporting Party and notified to the other Parties to the Agreement in accordance with the Operational Certification Procedures, as set out in Attachment A.

**Rule 13: Review and Modification**

These rules may be reviewed and modified as and when necessary upon request of a Member State and may be open to such reviews and modifications as may be agreed upon by the AEM-MOFCOM.

**OPERATIONAL CERTIFICATION PROCEDURES  
FOR THE RULES OF ORIGIN OF THE  
ASEAN-CHINA FREE TRADE AREA**

For the purpose of implementing the rules of origin for the ASEAN-China Free Trade Area, the following operational procedures on the issuance and verification of the Certificate of Origin (Form E) and the other related administrative matters shall be followed:

**AUTHORITIES**

**RULE 1**

The Certificate of Origin shall be issued by the Government authorities of the exporting Party.

**RULE 2**

(a) The Party shall inform all the other Parties of the names and addresses of their respective Government authorities issuing the Certificate of Origin and shall provide specimen signatures and specimen of official seals used by their said Government authorities.

(b) The above information and specimens shall be provided to every Party to the Agreement and a copy furnished to the ASEAN Secretariat. Any change in names, addresses, or official seals shall be promptly informed in the same manner.

**RULE 3**

For the purpose of verifying the conditions for preferential treatment, the Government authorities designated to issue the Certificate of Origin shall have the right to call for any supporting documentary evidence or to carry out any check considered appropriate. If such right cannot be obtained through the existing national laws and regulations, it shall be inserted as a clause in the application form referred to in the following rules 4 and 5.

**APPLICATIONS**

**RULE 4**

The exporter and/or the manufacturer of the products qualified for preferential treatment shall apply in writing to the Government authorities requesting for the pre-exportation verification of the origin of the products. The result of the verification, subject to review periodically or whenever appropriate, shall be accepted as the supporting evidence in verifying the origin of the said products to be exported thereafter. The pre-verification may not apply to the products of which, by their nature, origin can be easily verified.

## RULE 5

At the time of carrying out the formalities for exporting the products under preferential treatment, the exporter or his authorised representative shall submit a written application for the Certificate of Origin together with appropriate supporting documents proving that the products to be exported qualify for the issuance of a Certificate of Origin.

## **PRE-EXPORTATION EXAMINATION**

### RULE 6

The Government authorities designated to issue the Certificate of Origin shall, to the best of their competence and ability, carry out proper examination upon each application for the Certificate of Origin to ensure that:

- (a) The application and the Certificate of Origin are duly completed and signed by the authorised signatory;
- (b) The origin of the product is in conformity with the ASEAN-China Rules of Origin;
- (c) The other statements of the Certificate of Origin correspond to supporting documentary evidence submitted;
- (d) Description, quantity and weight of goods, marks and number of packages, number and kinds of packages, as specified, conform to the products to be exported.

## **ISSUANCE OF CERTIFICATE OF ORIGIN**

### RULE 7

(a) The Certificate of Origin must be in ISO A4 size paper in conformity to the specimen as shown in Attachment C. It shall be made in English.

(b) The Certificate of Origin shall comprise one original and three (3) carbon copies of the following colours:

- |               |   |  |
|---------------|---|--|
| Original      | - | Beige (Pantone color code: 727c)       |
| Duplicate     | - | Light Green (Pantone color code: 622c) |
| Triplicate    | - | Light Green (Pantone color code: 622c) |
| Quadruplicate | - | Light Green (Pantone color code: 622c) |

(c) Each Certificate of Origin shall bear a reference number separately given by each place of office of issuance.

(d) The original copy shall be forwarded, together with the triplicate, by the exporter to the importer for submission to the Customs Authority at the port or place

of importation. The duplicate shall be retained by the issuing authority in the exporting Party. The quadruplicate shall be retained by the exporter. After the importation of the products, the triplicate shall be marked accordingly in box 4 and returned to the issuing authority within a reasonable period of time.

#### RULE 8

To implement the provisions of Rules 4 and 5 of the ASEAN-China Rules of Origin, the Certificate of Origin issued by the final exporting Party shall indicate the relevant rules and applicable percentage of ACFTA content in Box 8.

#### RULE 9

Neither erasures nor superimposition shall be allowed on the Certificate of Origin. Any alteration shall be made by striking out the erroneous materials and making any addition required. Such alterations shall be approved by the person who made them and certified by the appropriate Government authorities. Unused spaces shall be crossed out to prevent any subsequent addition.

#### RULE 10

(a) The Certificate of Origin shall be issued by the relevant Government authorities of the exporting Party at the time of exportation or soon thereafter whenever the products to be exported can be considered originating in that Party within the meaning of the ASEAN-China Rules of Origin.

(b) In exceptional cases where a Certificate of Origin has not been issued at the time of exportation or soon thereafter due to involuntary errors or omissions or other valid causes, the Certificate of Origin may be issued retroactively but no longer than one year from the date of shipment, bearing the words “ISSUED RETROACTIVELY”.

#### RULE 11

In the event of theft, loss or destruction of a Certificate of Origin, the exporter may apply in writing to the Government authorities which issued it for the certified true copy of the original and the triplicate to be made on the basis of the export documents in their possession bearing the endorsement of the words “CERTIFIED TRUE COPY” in Box 12. This copy shall bear the date of the original Certificate of Origin. The certified true copy of a Certificate of Origin shall be issued not longer than one year from the date of issuance of the original Certificate of Origin and on condition that the exporter provides to the relevant issuing authority the fourth copy.

### **PRESENTATION**

#### RULE 12

The original Certificate of Origin shall be submitted together with the triplicate to the Customs Authorities at the time of lodging the import entry for the products concerned.

1.

### RULE 13

The following time limit for the presentation of the Certificate of Origin shall be observed:

- (a) Certificate of Origin shall be submitted to the Customs Authorities of the importing Party within four (4) months from the date of endorsement by the relevant Government authorities of the exporting Party;
- (b) Where the products pass through the territory of one or more non-parties in accordance with the provisions of Rule 8 (c) of the ASEAN-China Rules of Origin, the time limit laid down in paragraph (a) above for the submission of the Certificate of Origin is extended to six (6) months;
- (c) Where the Certificate of Origin is submitted to the relevant Government authorities of the importing Party after the expiration of the time limit for its submission, such Certificate is still to be accepted when failure to observe the time limit results from force majeure or other valid causes beyond the control of the exporter; and
- (d) In all cases, the relevant Government authorities in the importing Party may accept such Certificate of Origin provided that the products have been imported before the expiration of the time limit of the said Certificate of Origin.

### RULE 14

In the case of consignments of products originating in the exporting Party and not exceeding US\$200.00 FOB, the production of a Certificate of Origin shall be waived and the use of simplified declaration by the exporter that the products in question have originated in the exporting Party will be accepted. Products sent through the post not exceeding US\$200.00 FOB shall also be similarly treated.

### RULE 15

The discovery of minor discrepancies between the statements made in the Certificate of Origin and those made in the documents submitted to the Customs Authorities of the importing Party for the purpose of carrying out the formalities for importing the products shall not ipso-facto invalidate the Certificate of Origin, if it does in fact correspond to the products submitted.

### RULE 16

- (a) The importing Party may request a retroactive check at random and/or when it has reasonable doubt as to the authenticity of the document or as to the accuracy of the information regarding the true origin of the products in question or of certain parts thereof.

(b) The request shall be accompanied with the Certificate of Origin concerned and shall specify the reasons and any additional information suggesting that the particulars given on the said Certificate of Origin may be inaccurate, unless the retroactive check is requested on a random basis.

(c) The Customs Authorities of the importing Party may suspend the provisions on preferential treatment while awaiting the result of verification. However, it may release the products to the importer subject to any administrative measures deemed necessary, provided that they are not held to be subject to import prohibition or restriction and there is no suspicion of fraud.

(d) The issuing Government authorities receiving a request for retroactive check shall respond to the request promptly and reply not later than six (6) months after the receipt of the request.

#### RULE 17

(a) The application for Certificates of Origin and all documents related to such application shall be retained by the issuing authorities for not less than two (2) years from the date of issuance.

(b) Information relating to the validity of the Certificate of Origin shall be furnished upon request of the importing Party.

(c) Any information communicated between the Parties concerned shall be treated as confidential and shall be used for the validation of Certificates of Origin purposes only.

### **SPECIAL CASES**

#### RULE 18

When destination of all or parts of the products exported to a specified Party is changed, before or after their arrival in the Party, the following rules shall be observed:

(a) If the products have already been submitted to the Customs Authorities in the specified importing Party, the Certificate of Origin shall, by a written application of the importer be endorsed to this effect for all or parts of products by the said authorities and the original returned to the importer. The triplicate shall be returned to the issuing authorities.

(b) If the changing of destination occurs during transportation to the importing Party as specified in the Certificate of Origin, the exporter shall apply in writing, accompanied with the issued Certificate of Origin, for the new issuance for all or parts of products.

#### RULE 19

For the purpose of implementing Rule 8(c) of the ASEAN-China Rules of Origin, where transportation is effected through the territory of one or more non-ACFTA member states, the following shall be produced to the Government authorities of the importing Member State:

- (a) A through Bill of Lading issued in the exporting Member State;
- (b) A Certificate of Origin issued by the relevant Government authorities of the exporting Member State;
- (c) A copy of the original commercial invoice in respect of the product; and
- (d) Supporting documents in evidence that the requirements of Rule 8(c) sub-paragraphs (i),(ii) and (iii) of the ASEAN-China Rules of Origin are being complied with.

#### RULE 20

(a) Products sent from an exporting Party for exhibition in another Party and sold during or after the exhibition into a Party shall benefit from the ASEAN-China preferential tariff treatment on the condition that the products meet the requirements of the ASEAN-China Rules of Origin provided it is shown to the satisfaction of the relevant Government authorities of the importing Party that:

- (i) an exporter has dispatched those products from the territory of the exporting Party to the country where the exhibition is held and has exhibited them there;
- (ii) the exporter has sold the goods or transferred them to a consignee in the importing Party; and
- (iii) the products have been consigned during the exhibition or immediately thereafter to the importing Party in the state in which they were sent for exhibition.

(b) For purposes of implementing the above provisions, the Certificate of Origin must be produced to the relevant Government authorities of the importing Party. The name and address of the exhibition must be indicated, a certificate issued by the relevant Government authorities of the Party where the exhibition took place together with supporting documents prescribed in rule 19(d) may be required.

(c) Paragraph (a) shall apply to any trade, agricultural or crafts exhibition, fair or similar show or display in shops or business premises with the view to the sale of foreign products and where the products remain under Customs control during the exhibition.

#### **ACTION AGAINST FRAUDULENT ACTS**



## RULE 21

(a) When it is suspected that fraudulent acts in connection with the Certificate of Origin have been committed, the Government authorities concerned shall co-operate in the action to be taken in the territory of the respective Party against the persons involved.

(b) Each Party shall be responsible for providing legal sanctions for fraudulent acts related to the Certificate of Origin.

## Rule 22

In the case of a dispute concerning origin determination, classification or products or other matters, the Government authorities concerned in the importing and exporting Member States shall consult each other with a view to resolving the dispute, and the result shall be reported to the other Member States for information.

**ATTACHMENT B**

**PRUDUCT SPECIFIC RULES**  
(To be negotiated commencing January 2004)

## **APPENDIX B**

**AGREEMENT  
BETWEEN  
THE GOVERNMENT OF  
THE KINGDOM OF THAILAND  
AND  
THE GOVERNMENT OF  
THE PEOPLE'S REPUBLIC OF CHINA  
ON  
ACCELERATED TARIFF ELIMINATION  
UNDER THE EARLY HARVEST PROGRAMME  
OF THE FRAMEWORK AGREEMENT ON  
COMPREHENSIVE ECONOMIC COOPERATION BETWEEN  
ASEAN AND CHINA**

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The Government of the Kingdom of Thailand and the Government of the People's Republic of China (hereinafter referred to as the "Parties"),

Pursuant to the meeting between H.E. Pol. Lt. Col. Thaksin Shinawatra, Prime Minister of the Kingdom of Thailand, and H.E. Wen Jiabao, Prime Minister of the People's Republic of China, in Bangkok, Thailand, on 29 April 2003, during which they agreed to undertake the elimination of tariffs on vegetable and fruit products between the two countries as soon as possible,

Recalling the Framework Agreement on Comprehensive Economic Cooperation between the Association of South East Asian Nations and the People's Republic of China (hereinafter referred to as the "Framework Agreement") incorporating the Early Harvest Programme, Desiring to accelerate the implementation of the Early Harvest Programme of the Framework Agreement, which forms an integral part of the ASEAN-China Free Trade Area,

Have agreed as follows:

1. The Parties shall eliminate tariffs on all vegetable and fruit products subject to HS Chapters 07 and 08 under the Early Harvest Programme of the Framework Agreement as soon as possible, and in any case, no later than 1 October 2003.

2. The Parties shall apply the rules of origin based on wholly obtained principle, as defined in Annex 1 of this Agreement, and establish a close cooperation mechanism between the concerned authorities of the Parties responsible for customs administration and supervision.

3. Annex 1 of this Agreement is an integral part of this Agreement.

This Agreement shall enter into force upon signature.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed this Agreement. DONE at Beijing, this 18th day of June, 2003 in duplicate copies in the English language, with both copies being equally authentic.

**FOR  
THE GOVERNMENT OF  
THE KINGDOM OF THAILAND**

**FOR  
THE GOVERNMENT OF  
THE PEOPLE'S REPUBLIC OF CHINA**

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**ADISAI BODHARAMIK  
MINISTER OF COMMERCE**

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**LU FUYUAN  
MINISTER OF COMMERCE**

## **Annex 1**

### **UNDERSTANDING BETWEEN THAILAND AND CHINA ON THE TEMPORARY DEFINITION OF WHOLLY OBTAINED PRINCIPLE**

1. Vegetable and fruit products, which are covered in chapters 07-08 of the Harmonized System, harvested, picked or gathered in the territory of a party, and imported into another party from the party, shall be considered as originating in the party provided that the condition of the direct consignment is met.

2. The following shall be considered as consigned directly from the exporting Party to the importing Party:

(1) The products whose transport does not involve transit through any intermediate non-Party:

(2) The products whose transport involves transit through one or more intermediate non-Parties with or without transshipment or temporary storage in such Parties, provided that:

(a) The transit entry is justified for geographical reason or by consideration related exclusively to transport requirements;

(b) The products have not entered into trade or consumption there; and

(c) The products have not undergone any operation there other than unloading and reloading or any operation required to keep them in good condition.

3. This temporary definition of wholly obtained principle shall be superseded and replaced by the new definition of wholly obtained principle in the Rules of Origin to be formulated and implemented under Article 3(8)(b) of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China.

## Appendix C

### Early Harvest of Thailand Under ASEAN-China Free Trade Agreement

NO.	HS.	Description	Applied Rate (%)		
			2004	2005	2006
		<b>group 1 &gt; 15 %</b>	10	5	0
1	010190	Live horses, not for pure-bred breeding	10	5	0
2	010410	Live sheep, not for breeding	10	5	0
3	010420	Live goats	10	5	0
4	010511	Live fowls of the species gallus domesticus, weigh	10	5	0
5	010512	Turkeys, weighting not more than 185 g, for breeding	10	5	0
6	010519	Live ducks, geese, turkeys and guinea fowls, weigh	10	5	0
7	010592	Live fowls of the species gallus domesticus, weighting more than 185 g., but not more than 2,000 g, f	10	5	0
8	010593	Live gowls of the species gallus domesticus, weigh	10	5	0
9	010599	Live ducks, geese, turkeys and guinea fowls, weigh	10	5	0
10	010611	Primates, for draught, consumption of meat, milk or eggs, imported not for breeding	10	5	0
11	010612	Whales,dolphins and porpoises(mammals of the order Cetacea);manatees and dugongs(mammals of the orde	10	5	0
12	010619	Mammals, for draught, consumption of meat, milk or eggs, imported for breeding	10	5	0
13	010620	Reptiles (including snakes and turtles), for draught, consumption of meat, milk or eggs, imported fo	10	5	0
14	010631	Birds of prey	10	5	0
15	010632	Psittaciformes (including parrots, parakeets, macaws and cockatoos), for draught, consumption of mea	10	5	0
16	010639	Other birds, for draught, consumption of meat, milk or eggs imported for breeding	10	5	0
17	010690	Frog	10	5	0
18	020110	Meat of bovine animals, fresh or chilled, carcasses and half-carcasses	10	5	0
19	020120	Meat of bovine animals, fresh or chilled, other CU	10	5	0
20	020130	Meat of bovine animals, fresh or chilled, boneless	10	5	0
21	020210	Meat of bovine animals, frozen, carcasses and half-carcasses	10	5	0

22	020220	Meat of bovine animals, frozen, other cut with bon	10	5	0
23	020230	Meat of bovine animals, frozen, boneless	10	5	0
24	020311	Meat of swine, fresh or chilled, carcasses and half-carcasses	10	5	0
25	020312	Meat of swine, fresh or chilled , hams, shoulders and cuts thereof with bone in	10	5	0
26	020319	Mea of swine, fresh or chilled, other cut with bone in or boneless	10	5	0
27	020321	Meat of swine, frozen, carcasses, and half-carcasses	10	5	0
28	020329	Meat of swine, frozen, other cut with bone in or B	10	5	0
29	020410	Carcasses and half-carcasses of lamb, fresh or chilled Meat of sheep, fresh or chilled, carcasses and half-carcasses	10	5	0
30	020421		10	5	0
31	020422	Meat of sheep, fresh or chilled, other cuts with bone in	10	5	0
32	020423	Meat of sheep, fresh or chilled, boneless Carcasses and half-carcasses of lamb, frozen	10	5	0
33	020430		10	5	0
34	020441	Meat of sheep, frozen, carcasses and half-carcasses	10	5	0
35	020442	Meat of sheep , frozen other cuts with bone in FORZEN OTHER CUTS	10	5	0
36	020443	Meat of sheep frozen, boneless	10	5	0
37	020450	Meat of goats	10	5	0
38	020500	Meat of horses, asses, mules or hinnies, fresh chilled or frozen	10	5	0
39	020610	Edible offal of bovine animals, fresh or chilled	10	5	0
40	020621	Tongues of bovine animal, frozen	10	5	0
41	020622	Livers of bovine animal, frozen	10	5	0
42	020629	Edible offal of bovine animal, frozen	10	5	0
43	020630	Edible offal of swine, fresh or chilled	10	5	0
44	020641	Livers of swine, frozen	10	5	0
45	020649	Edible offal of swine, frozen	10	5	0
46	020680	Other edible offal of bovine animals, swine, sheep	10	5	0
47	020690	Other edible offal of bovine animals, swine, sheep	10	5	0
48	020711		10	5	0
49	020712	Not cut in pieces, fresh of chilled fowls of the species gallus domesticus Not cut in pieces, frozen fowls of the species gallus domesticus	10	5	0
50	020713	Cuts and offal, fresh or chilled fowls of the spec	10	5	0
51	020714	CUTS AND OFFAL, FROZEN FOWLS OF THE SPECIES GALLUS	10	5	0

52	020724	Not cut in pieces, fresh or chilled of turkeys	10	5	0
53	020725	Not cut in pieces, frozen of turkeys	10	5	0
54	020726	Cuts and offal, fresh or chilled of turkeys	10	5	0
55	020727	Cuts and offal, frozen of turkeys	10	5	0
56	020732	Not cut in pieces, fresh or chilled of ducks, gees	10	5	0
57	020733	Not cut in pieces, frozen of ducks, geese or guinea fowls	10	5	0
58	020734	Fatty livers, fresh or chilled of ducks, geese or	10	5	0
59	020735	Cut and offal (excluding fatty livers), fresh or c	10	5	0
60	020736	Cut and offal (excluding fatty livers), frozen of	10	5	0
61	020810	Meat and edible meat of rabbits or hares, fresh, chilled or frozen	10	5	0
62	020820	Frogs' legs, fresh, chilled or frozen	10	5	0
63	020830	Meat and edible meat offal of primates, fresh, chilled or frozen	10	5	0
64	020840	Meat and edible meat offal of whales, dolphins and porpoises (mammals of the order Cetacea); of man	10	5	0
65	020850	Meat and edible meat offal of reptiles (including snakes and turtles), fresh, chilled or frozen	10	5	0
66	020890	Meat and edible meat of offal, rice birds, fresh,	10	5	0
67	020900	Pig fat free of lean meat and poultry fat (not ren	10	5	0
68	021011	Meat of swine, hams, choulders and cuts thereof, w	10	5	0
69	021012	Meat of swine, bellies (streaky ) and cuts thereof, salt, in brine, dried or smoked	10	5	0
70	021019	Meat of swine bellies ( streaky ) and cuts thereof	10	5	0
71	021020	Meat of bovine animals, salted, in brine, dried or	10	5	0
72	021091	Meat and edible meat offal of primates, salted, in brine, dried or smoked; edible flours and meals o	10	5	0
73	021092	Meat and edible meat offal of whales, dolphins and porpoises (mammals of the order Cetacea); of ma	10	5	0
74	021093	Meat and edible meat offal Of reptiles (including snakes and turtles), salted, in brine, dried or sm	10	5	0
75	021099	Other meat and edible meat offal, salted, in brine, dried or smoked; including edible flours and m	10	5	0
76	030110	Ornamental fish, live	10	5	0
77	030191	Trout ( salmon trutta, oncorhynchus mykiss, oncorhynchus clarki, oncorhynchus aguabonita, oncorhynchus	10	5	0
78	030192	Eals ( anguilla spp. ), live	10	5	0



79	030193	Carp, live	10	5	0
80	030199	Other live fish	10	5	0
81	030222	Plaice, excluding livers and roes, fresh or chilled	10	5	0
82	030263	Coalfish, excluding livers and roes, fresh or chil	10	5	0
83	030265	Dogfish and other sharks, excluding livers and roes, fresh or chilled	10	5	0
84	030332	Plaice, excluding livers and roes, frozen	10	5	0
85	030378	Hake, excluding livers and roes, frozen	10	5	0
86	030559	Other fish meal, dried, whether or not salted	10	5	0
87	040110	Milk and cream, of a fat content by weight not exc	10	5	0
88	040120	Milk and cream, of a fat content by weight exceeding 1 % but not exceeding 6 %	10	5	0
89	040130	Milk and cream, of a fat content by weight exceedi	10	5	0
90	040221	Milk and cream, concentrated not containing added	10	5	0
91	040229	Milk and cream, containing added sugar or other s	10	5	0
92	040291	Milk and cream, in powder, granules or other solid	10	5	0
93	040299	other milk and cream concentrated	10	5	0
94	040310	yogurt, whether or not concentrated or containing	10	5	0
95	040390	buttermilk, curdled milk and cream,kephir and othe	10	5	0
96	040410	whey and modified whey, whether or not concentrate	10	5	0
97	040490	products consisting of natural milk constituents	10	5	0
98	040510	butter	10	5	0
99	040520	dairy spreads	10	5	0
100	040590	other fats and oils derived from milk	10	5	0
101	040610	fresh cheese (not fermented) including whey cheese	10	5	0
102	040620	grated or powalered cheese of all kinds	10	5	0
103	040630	processed cheese, not grated or powdered	10	5	0
104	040640	blue-veined cheese	10	5	0
105	040690	other cheese	10	5	0
106	040700	birds' eggs, in shell, fresh, preserved or cooked	10	5	0
107	040811	egg yolks, dried	10	5	0
108	040819	egg yolks, fresh, cooked by steaming or by boiling	10	5	0
109	040891	birds'eggs, dried	10	5	0
110	040899	birds eggs, dried fresh, cooked by steaming or by	10	5	0
111	040900	natural honey	10	5	0
112	041000	edible products of animal origin, not elsewhere sp	10	5	0
113	050400	guts, bladders and stomachs of animals (other tha	10	5	0

114	050710	ivory : ivory powder and waste	10	5	0
115	050790	tortoise-shell, whalebone and whalebone hair, horn	10	5	0
116	050800	coral and similar materials, unworked or simply pr	10	5	0
117	050900	natural sponges of animal origin	10	5	0
118	051000	ambergris, castoreum, civet and musk; cantharides;	10	5	0
119	051199	other animal products not elsewhere specified or i	10	5	0
120	060110	bulbs, tubers, tuberous roots, corms crowns and rh	10	5	0
121	060120	bulbs, tubers, tuberous roots, corms crowns and rh	10	5	0
122	060210	unrooted cuttings and slips	10	5	0
123	060220	edible fruit or nut trees, shrubs and brushes, gra	10	5	0
124	060230	rhododendrons and azaleas, grafted or not	10	5	0
125	060240	roses, grafted or not	10	5	0
126	060290	other live plants (including their roots)	10	5	0
127	060310	cut flowers and flowers buds of a kind suitable fo	10	5	0
128	060390	cut flowers and flowers buds of a kind suitable fo	10	5	0
129	060410	masses and lichens being goods of a kind suitable	10	5	0
130	060491	foliage, branches and other parts of plants, witho	10	5	0
131	060499	foliage, brances and other parts of plants, withou	10	5	0
132	070110	potatoes, seed	10	5	0
133	070190	potatoes, fresh or chilled	10	5	0
134	070200	tomatoes, fresh or chilled	10	5	0
135	070310	onions and shallots (fresh or chilled)	10	5	0
136	070320	garlic, fresh or chilled	10	5	0
137	070390	leek and other alliaceous vegetables, fresh or chi	10	5	0
138	070410	cauliflowers and headed broccoli, fresh or chilled	10	5	0
139	070420	brussels sprouts, fresh or chilled	10	5	0
140	070490	cabbages, kohlrabi, kale and similar edible brassi	10	5	0
141	070511	cabbages lettuce (head lettuce), fresh or chilled	10	5	0
142	070519	lettuce, fresh or chilled	10	5	0
143	070521	witloof chicary, fresh or chilled	10	5	0
144	070529	chicory, fresh or chilled	10	5	0
145	070610	carrots and turnips, fresh or chilled	10	5	0
146	070690	salad beetroot, salsify, celeriac, radishes and si	10	5	0
147	070700	cucumbers and gherkins, fresh or chilled	10	5	0
148	070810	peas, shelled or unshelled, fresh or chilled	10	5	0
149	070820	beans	10	5	0
150	070890	other leguminous vegetables, shelled or unshelled,	10	5	0

151	070910	glob artichokes, fresh or chilled	10	5	0
152	070920	asparagus, fresh or chilled	10	5	0
153	070930	aubergines, fresh or chilled	10	5	0
154	070940	celery other than celeriac, fresh or chilled	10	5	0
155	070951	mushrooms, fresh or chilled	10	5	0
156	070952	truffles, fresh or chilled	10	5	0
157	070959	other mushrooms, fresh or chilled	10	5	0
158	070960	fruits of the genus capsicum or of the genus pimen	10	5	0
159	070970	spinach, new zealand spinach and orache spinach, f	10	5	0
160	070990	other vegetables, fresh or chilled	10	5	0
161	071010	potatoes (uncooked or cooked by steaming or boilin	10	5	0
162	071021	peas (uncooked or cooked by steaming or boiling in	10	5	0
163	071022	beans (uncooked or cooked by steaming or boiling in water), frozen	10	5	0
164	071029	other leguminous vegetables, shelled or unshelled	10	5	0
165	071030	spinach, new zealand spinach and orache spinach	10	5	0
166	071040	sweet corn (uncookee or cooked by steaming or boil	10	5	0
167	071080	other vegetables(uncooked or cooked by steaming or	10	5	0
168	071090	mixtures of vegetable (uncooked or cooked by steam	10	5	0
169	071120	olives, provisionally preserved but unsuitable in	10	5	0
170	071130	capers, previsionally preserved but unsuitable in	10	5	0
171	071140	cucumbers and gherkins, previsionally preserved bu	10	5	0
172	071151	Mushrooms of the genus Agaricus provisionally preserved, but unsuitable in that state for immediate	10	5	0
173	071159	Other mushrooms and truffles provisionally preserved, but unsuitable in that state for immediate con	10	5	0
174	071190	other vegetables, previsionally preserved but unsu	10	5	0
175	071220	dried onion	10	5	0
176	071231	Dried mushrooms of the genus Agaricus, whole, cut, sliced, broken or in powder, but not further prep	10	5	0
177	071232	Dried wood ears (Auricularia spp.), whole, cut, sliced, broken or in powder, but not further prepare	10	5	0
178	071233	Dried jelly fungi (Tremella spp.), whole, cut, sliced, broken or in powder, but not further prepared	10	5	0
179	071239	Other dried mushrooms and truffles, whole, cut, sliced, broken or in powder, but not further prepare	10	5	0
180	071290	other dried vegetables, whole, cut, shiced, broken	10	5	0

181	071310	dried peas, shelled, whether or not skinned or spl	10	5	0
182	071320	dried chickpeas, shelled, whether or not skinned o	10	5	0
183	071331	dried mung, beans, shelled, whether or not skinne	10	5	0
184	071332	dried small red beans, shelled, whether or not ski	10	5	0
185	071333	kidney beans, including white and pea beans (phseo	10	5	0
186	071339	other dried beans, shelled, whether or not skinned	10	5	0
187	071340	dried lentils, shelled, whether or not skinned or	10	5	0
188	071350	dried broad beans and horse beans,shelled, whether	10	5	0
189	071390	other dried leguminous vegetables, shelled, whethe	10	5	0
190	071410	manioc roots, fresh or dried, whether or not slice	10	5	0
191	071420	sweet potatoes, fresh or dried, whether or not sliced or in the form of pellets	10	5	0
192	071490	taro, fresh or dried, whether /not sliced or in t	10	5	0
193	080111	desiccated coconuts	10	5	0
194	080119	fresh coconuts	10	5	0
195	080121	brazil nuts, in shell	10	5	0
196	080122	brazil nuts, shelled	10	5	0
197	080131	cashew nuts, in shell	10	5	0
198	080132	cashew nuts, shelled	10	5	0
199	080300	bananas, including plantains, fresh or dried	10	5	0
200	080410	dates, fresh or dried	10	5	0
201	080420	fig, fresh or dried	10	5	0
202	080430	pineapples	10	5	0
203	080440	avocados, fresh or dried	10	5	0
204	080450	guavas, mangoes,mangosteen fresh or dried	10	5	0
205	080510	sweet oranges, fresh or dried	10	5	0
206	080520	MANDARINS (INCLUDING TANGERINES AND SATSUMAS); C	10	5	0
207	080540	GRAPEFRUIT, FRESH OR DRIED	10	5	0
208	080550	Lemons (Citrus limon, Citrus limonum) and limes (Citrus aurantifolia, Citrus latifolia), fresh or dr	10	5	0
209	080590	OTHER CITRUS FRUITS, FRESH OR DRIED, OTHER THAN SU	10	5	0
210	080610	GRAPES, FRESH	10	5	0
211	080620	GRAPES, DRIED	10	5	0
212	080711	WATERMELONS	10	5	0
213	080719	OTHER MELONS	10	5	0
214	080720	PAPAWS (PAPAYAS), FRESH	10	5	0

215	080820	PEARS AND QUINCES, FRESH	10	5	0
216	080910	APRICOTS, FRESH	10	5	0
217	080920	CHERRIES, FRESH	10	5	0
218	080930	PEACHES, INCLUDING NECTARINES, FRESH	10	5	0
219	080940	PLUMS AND SLOES, FRESH	10	5	0
220	081010	STRAWBERRIES, FRESH	10	5	0
221	081020	RASPBERRIES, BLACKBERRIES, MULBERRIES AND LOGANBER	10	5	0
222	081030	BLACK, WHITE OR RED CURRANTS GOOSEBERRIES, FRESH	10	5	0
223	081040	CRANBERRIES, BILFERRIES AND OTHER FRUITS OF THE GE	10	5	0
224	081050	KIWIFRUIT	10	5	0
225	081060	Durians, fresh	10	5	0
226	081090	OTHER FRESH FRUIT, FRESH, OTHER THAN SUBHEADING NO	10	5	0
227	081110	STARBARIES UNCOOKED OR COOKED BY STEAMING OR BOILI	10	5	0
228	081120	RASPBERRIES, BLACKBERRIES, MULBERRIES LOGANBERRIES	10	5	0
229	081190	OTHER FRUITS AND NUTS, UNCOOKED OR COOKED BY STEAN	10	5	0
230	081210	CHERRIES, PROVISIONALLY PRESERVED, BUT UNSUITABLE	10	5	0
231	081290	OTHER FRUITS AND NUTS, PROVISIONALLY PRESERVED, BU	10	5	0
232	081310	APRICOT, DRIED	10	5	0
233	081320	PRUNES, DRIED	10	5	0
234	081330	APPLE, DRIED	10	5	0
235	081340	OTHER FRUIT DRIED, OTHER THAN THAT OF HEADING NOS	10	5	0
236	081350	MIXTURES OF NUTS OR DRIED FRUITS OF THIS CHAPTER	10	5	0
237	081400	PEEL OF CITRUS FRUIT OR MELON (INCHEDING WATERMELO	10	5	0
		<b>Group 2 5%- 15 %</b>	5	0	0
1	010290	LIVE BOVINE ANIMALS, NOT FOR PURE-BRED BREEDING	5	0	0
2	010391	LIVE SWINE, NOT FOR PURE-BRED BREEDING, WEIGHING LESS THAN 50 KG	5	0	0

3	010392	LIVE SWINE, NOT FOR PURE-BRED BREEDING , WEIGHING 50 KG OR MORE	5	0	0
4	030211	TROUT(SALMO TRUTTA, ONCORHYNCHUS MYKISS, ONCORHYNC	5	0	0
5	030212	PACIFIC SALMON (ONCORHYNCHUS NERKA, ONCORHYNCHUS G	5	0	0
6	030219	OTHER SALMONIDAE, EXCLUDING LIVERS AND ROES, FRESH	5	0	0
7	030221	HALIBUT, EXCLUDING LIVERS AND ROES, FRESH OR CHILLED	5	0	0
8	030223	SOLE (SOLEA SPP.), EXCLUDING LIVERS AND ROES, FRES	5	0	0
9	030229	OTHER FLAT FISH, EXCLUDING LIVERS AND ROES, FRESH	5	0	0
10	030231	ALBACORE OR LONGFINNED TUNAS, EXCLUDING LIVERS AND ROES, FRESH OR CHILLED	5	0	0
11	030232	YELLOWFIN TUNAS, EXCLUDINGING LIVERS AND ROES, FRE	5	0	0
12	030233	SKIPJACK OR STRIPE-BELLIED BONITO, EXCLUDING LIVES	5	0	0
13	030234	Bigeye tunas (thunnus obesus ), fresh or chilled	5	0	0
14	030235	Bluefin tunas (Thunnus thynnus), fresh or chilled	5	0	0
15	030236	Southern bluefin tunas(Thunnus maccoyii), fresh or chilled	5	0	0
16	030239	OTHER TUNAS, EXCLUDING LIVERS AND ROES, FRESH OR C	5	0	0
17	030240	HERRING, EXCLUDING LIVERS AND ROES, FRESH OR CHILL	5	0	0
18	030250	COD, EXLUDING LIVERS AND ROES, FRESH OR CHILLED	5	0	0
19	030261	SARDINES, SARDINELLA, BRISLING OR SPRATS, EXCLUDIN	5	0	0
20	030262	HADDOCK, EXCLUDING LIVERS AND ROES, FRESH OR CHILLED	5	0	0
21	030264	MACKEREL, EXCLUDING LIVERS AND ROES, FRESH OR CHIL	5	0	0
22	030266	EELS (ANGUILLA SPP.), EXCLUDING LIVERS AND ROES, FRESH OR CHILLED	5	0	0
23	030269	OTHER FISH, EXCLUDING LIVERS AND ROES, FRESH OR CH	5	0	0
24	030270	LIVERS AND ROES OF OTHER FISH, FRESH OR CHILLED	5	0	0
25	030311		5	0	0
26	030319	Sockeye salmon (red salmon) (Oncorhynchus nerka) frozen, excluding livers and roes, fish fillets an	5	0	0
27	030321	Other pacific salmon, frozen, excluding livers and roes, fish fillets and other fish meat of headin TROUT (SALMO TRUTTA, ONCORHYNCHUS MYKISS, ONCORHYN	5	0	0

28	030322	ATLANTIC SALMON AND DANUBE SALMON, EXCLUDING LIVER	5	0	0
29	030329	OTHER SALMONIDAE, EXCLUDING LIVERS AND ROES, FROZE	5	0	0
30	030331	HALIBUT, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
31	030333	SOLE, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
32	030339	OTHER FLAT FISH, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
33	030341	ALBACORE OR LONGFINNED TUNAS, EXCLUDING, LIVERS AN	5	0	0
34	030342	YELLOWFIN TUNAS, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
35	030343	SKIPJACK OR STRIPE-BELLIED BONITS, EXCLUDING LIVER	5	0	0
36	030344	Bigeye tunas ( <i>Thunnus obesus</i> ), frozen, excluding livers and roes, fish fillets and other fish meat o	5	0	0
37	030345	Bluefin tunas ( <i>Thunnus thynnus</i> ), frozen, excluding livers and roes, fish fillets and other fish meat	5	0	0
38	030346	Southern bluefin tunas ( <i>Thunnus maccoyii</i> ), frozen, excluding livers and roes, fish fillets and other	5	0	0
39	030349	OTHER TUNAS, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
40	030350	HERRINGS, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
41	030360	COD, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
42	030371	SARDINES, SARDINELLA, BRISLING OR SPRATS, EXCLUDIN	5	0	0
43	030372	HADDOCK, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
44	030373	COALFISH, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
45	030374	MACKEREL, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
46	030375	DOGFISH AND OTHER SHARKS, EXCLUDING LIVERS ROES, F	5	0	0
47	030376	EELS, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
48	030377	SEA BASS, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
49	030379	OTHER FISH, EXCLUDING LIVERS AND ROES, FROZEN	5	0	0
50	030380	LIVERS AND ROES, FROZEN	5	0	0
51	030410	FISH FILLETS AND OTHER FISH MEAT (WHETHER OR NOT M	5	0	0
52	030420	FISH FILLETS, FROZEN	5	0	0
53	030490	OTHER FISH MEAT (WHETHER OR NOT MINCED), FROZEN	5	0	0

54	030510	FISH MEAL AND FISH PELLETS FIT FOR HUMAN CONSUMPTI	5	0	0
55	030520	LIVERS AND ROES, DRIED, SMOKED, SALTED OR IN BRINE	5	0	0
56	030530	FISH FILLETS DRIED SALTED OR IN BRINE, BUT NOT SMOKED	5	0	0
57	030541	PACIFIC SALMON (ONCORHYNCHUS NERKA, ONCORHYNCHUS G	5	0	0
58	030542	HERRINGS, INCLUDING FILLETS, SMOKED	5	0	0
59	030549	OTHER FISH MEAL, SMOKED	5	0	0
60	030551	COD, DRIED, WHETHER OR NOT SALTED	5	0	0
61	030559	OTHER FISH MEAL, DRIED, WHETHER OR NOT SALTED	5	0	0
62	030561	HERRINGS, SALTED BUT NOT DRIED OR SMOKED AND FISH	5	0	0
63	030562	COD, SALTED BUT NOT DRIED OR SMOKED AND FISH IN BRINE	5	0	0
64	030563	ANCHOVIES SALTED BUT NOT DRIED OR SMOKED AND FISH IN BRINE	5	0	0
65	030569	OTHER FISH MEAL, BUT NOT DRIED OR SMOKED AND FISH	5	0	0
66	030611	ROCK LOBSTER AND OTHER SEA CRAWFISH, FROZEN	5	0	0
67	030612	LOBSTERS (HOMARUS SPP.), FROZEN	5	0	0
68	030613	SHRIMPS AND PRAWNS, FROZEN	5	0	0
69	030614	CRABS, FROZEN	5	0	0
70	030619	OTHER CRUSTACEANS, FROZEN	5	0	0
71	030621	ROCK LOBSTER AND OTHER SEA CRAWFISH, NOT FROZEN	5	0	0
72	030622	LOBSTER, NOT FROZEN	5	0	0
73	030623	SHRIMPS AND PRAWNS	5	0	0
74	030624	CRAB	5	0	0
75	030629	OTHER CRUSTACEANS, NOT FROZEN ; CRUSTACEANS MEAL A	5	0	0
76	030710	OYSTERS, WHETHER IN SHELL OR NOT	5	0	0
77	030721	SCALLOPS, INCLUDING QUEEN SCALLOPS, OF THE GENERAP	5	0	0
78	030729	SCALLOPS, INCLUDING QUEEN SCALLOPS, OF THE GENRAPE	5	0	0
79	030731	MUSSELS (MYTILUS SPP., PERNA SPP.), LIVE, FRESH OR	5	0	0
80	030739	MUSSELS (MYTILUS SPP., PERNA SPP.), LIVE, FROZEN,	5	0	0
81	030741	CUTTLE FISH, SQUID LIVE, FRESH OR CHILLED	5	0	0
82	030749	CUTTLE FISH HEAD,CUTTLE FISH,SQUID FROZEN OR DRI	5	0	0



83	030751	OCTOPUS (OCTOPUS SPP.), LIVE, FRESH OR CHILLED	5	0	0
84	030759	OCTOPUS, FROZEN OR DRIED, SALTED OR IN BRINE	5	0	0
85	030760	SNAILS , OTHER THAN SEA SNAIL, FROZEN, DRIED SALTED	5	0	0
86	030791	OTHER MOLLUSCS, LIVE, FRESH OR CHILLED	5	0	0
87	030799	OTHER MOLLUSCS, FROZEN, DRIED, SALTED OR IN BRINE	5	0	0
88	040210	MILK AND CREAM, IN POWDER, GRANULES OR OTHER SOLID	5	0	0
89	040221	MILK AND CREAM, CONCENTRATED NOT CONTAINING ADDED	5	0	0
90	040229	MILK AND CREAM, CONTAINING ADDED SUGAR OR OTHER S	5	0	0
91	040310	YOGURT, WHETHER OR NOT CONCENTRATED OR CONTAINING	5	0	0
92	040390	BUTTERMILK, CURDLED MILK AND CREAM,KEPHIR AND OTHE	5	0	0
93	040410	WHEY AND MODIFIED WHEY, WHETHER OR NOT CONCENTRATE	5	0	0
94	040490	PRODUCTS CONSISTING OF NATURAL MILK CONSTITUENTS	5	0	0
95	040590	OTHER FATS AND OILS DERIVED FROM MILK	5	0	0
96	050510	FEATHERS OF A KIND USED FOR STULLING, DOWN, OF BIR	5	0	0
97	050590	SKIN AND OTHER PARTS OF BIRDS WITH THEIR FEATHERS	5	0	0
98	051191	PRODUCTS OF FISH OR CRUSTACEANS, MOLLUSCS OR OTHER	5	0	0
99	080211	ALMONDS, IN SHELL, FRESH OR DRIED	5	0	0
100	080212	ALOMONDS, SHELLED, FRESH OR DRIED	5	0	0
101	080221	HAZELNUTS OR FILBERTS, IN SHELL, FRESH OR DRIED	5	0	0
102	080222	HAZELNUTS OR FILBERTS, SHELLED, FRESH OR DRIED	5	0	0
103	080231	WALNUTS, IN SHELL, FRESH OR DRIED	5	0	0
104	080232	WALNUTS, SHELLED, FRESH OR DRIED	5	0	0
105	080240	CHESTNUTS, FRESH OR DRIED, WHETHER OR NOT SHELLED	5	0	0
106	080250	PISTACHIOS, FRESH OR DRIED, WHETHER OR NOT SHELLED	5	0	0
107	080290	OTHER NUTS, FRESH OR DRIED, WHETHER OR NOT SHELLED	5	0	0
108	080810	APPLES, FRESH	5	0	0

		<b>Group 3 &lt; 5%</b>	0	0	0
1	010110	Live horses, asses, mules and hinnies, for pure-bred breeding	0	0	0
2	010190	Live horses, not for pure-bred breeding	0	0	0
3	010310	LIVE SWINE, FOR PURE-BRED BREEDING	0	0	0
4	010410	LIVE SHEEP, NOT FOR BREEDING	0	0	0
5	010420	LIVE GOATS	0	0	0
6	010511	LIVE FOWLS OF THE SPECIES GALLUS DOMESTICUS, WEIGH	0	0	0
7	010512	TURKEYS, WEIGHTING NOT MORE THAN 185 G, FOR BREEDING	0	0	0
8	010519	LIVE DUCKS, GEESE, TURKEYS AND GUINEA FOWLS, WEIGH	0	0	0
9	010592	LIVE FOWLS OF THE SPECIES GALLUS DOMESTICUS, WEIGHTING MORE THAN 185 G, BUT NOT MORE THAN 2,000 G, F	0	0	0
10	010593	LIVE FOWLS OF THE SPECIES GALLUS DOMESTICUS, WEIGH	0	0	0
11	010599	LIVE DUCKS, GEESE, TURKEYS AND GUINEA FOWLS, WEIGH	0	0	0
12	010611	Primates, for draught, consumption of meat, milk or eggs, imported not for breeding	0	0	0
13	010612	Whales,dolphins and porpoises(mammals of the order Cetacea);manatees and dugongs(mammals of the orde	0	0	0
14	010619	Mammals, for draught, consumption of meat, milk or eggs, imported for breeding	0	0	0
15	010620	Reptiles (including snakes and turtles), for draught, consumption of meat, milk or eggs, imported fo	0	0	0
16	010631	Birds of prey	0	0	0
17	010632	Psittaciformes (including parrots, parakeets, macaws and cockatoos), for draught, consumption of mea	0	0	0
18	010639	Other birds, for draught, consumption of meat, milk or eggs imported for breeding	0	0	0
19	010690	Frog	0	0	0
20	040700	BIRDS' EGGS, IN SHELL, FRESH, PRESERVED OR COOKED	0	0	0
21	050100	HUMAN HAIR, UNWORKED, WHETHER OR NOT WASHED OR SCO	0	0	0
22	050210	PIGS' HOGS' OR BOARS' BRISTLES AND HAIR WASTE THER	0	0	0
23	050290	BADGER HAIR AND OTHER BUSH MAKING HAIR HORSEHAIR AND HORSEHAIR WASTE, WHETHER	0	0	0
24	050300	OR NOT PUT	0	0	0

25	050610	OSSEIN AND BONES TREATED WITH ACID	0	0	0
26	050690	BONES AND HORN-CORES, UNWORKED, DEFATTED, SIMPLY P	0	0	0
27	051110	BOVINE SEMEN	0	0	0
28	051191	PRODUCTS OF FISH OR CRUSTACEANS, MOLLUSCS OR OTHER	0	0	0
29	051199	OTHER ANIMAL PRODUCTS NOT ELSEWHERE SPECIFIED OR I	0	0	0

## Bibliography

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