



Australia–Thailand Free Trade Agreement



Australian companies will soon have much better access to the second biggest market in South East Asia.

The governments of Thailand and Australia have cemented a wide-ranging free trade agreement.

The two Prime Ministers, John Howard and Thaksin Shinawatra, announced the deal on 19 October 2003, after more than a year of negotiations.

The agreement will deliver new trade and investment opportunities and an improved climate for commercial exchanges.

The agreement is Australia's third free trade pact. It is Thailand's first comprehensive free trade agreement and its first with a developed country.

The deal establishes a platform for Australia to work towards greater economic integration with the second-largest economy in South East Asia.

Thailand's economic growth performance over the past few years has been consistently strong and the Thai government is promoting policies that are aimed at building a more open and deregulated economy.

Thailand is already an important and expanding market for Australian exports of goods and services, but economic linkages have been hampered by Thailand's high trade restrictions and barriers.

The free trade agreement, which contains 19 chapters and runs to more than 120 pages, will ensure greater access for Australian products and will improve prospects for services trade and investment.

THE THAI MARKET – A SNAPSHOT

63.5 MILLION PEOPLE

AUSTRALIA'S 11TH BIGGEST
EXPORT MARKET

VALUE OF AUSTRALIAN
EXPORTS \$2.5 BILLION

GDP PER CAPITA US \$1,991

REAL GDP GROWTH 5.3%

SHARE OF TOTAL
ASEAN GDP 20.7%

ELIMINATION OF TARIFFS AND OTHER BARRIERS

The most significant feature of the free trade agreement is that it will lead to the elimination of all of Thailand's tariff and quota barriers on imports from Australia.

As a result, access to the Thai market will improve markedly, especially in key areas of interest to Australia like agriculture, processed foods and beverages, metals and mining and automotive products.

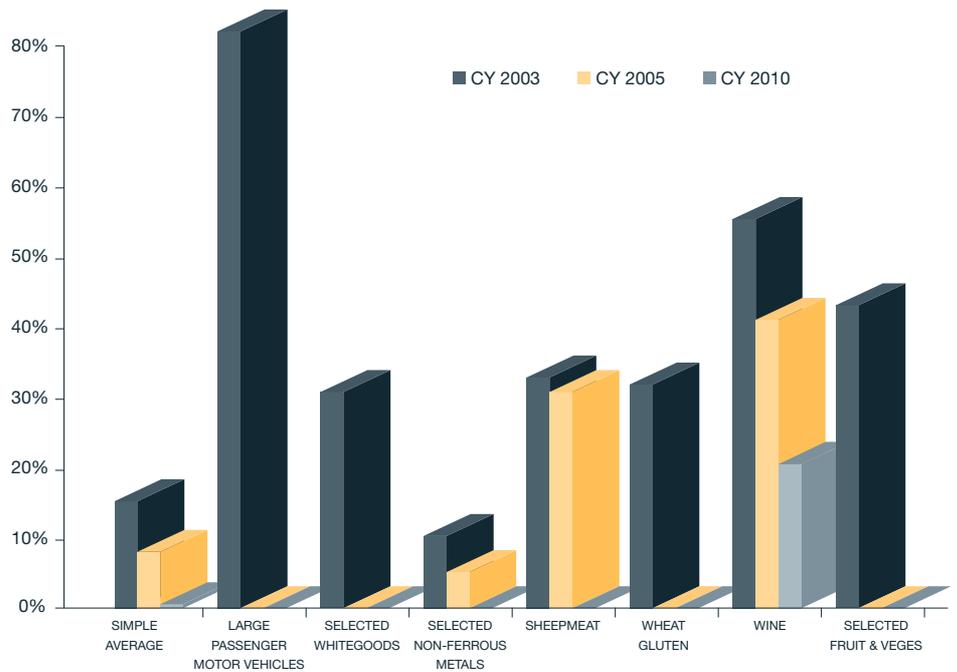
Over half of all Thailand's tariffs on imports from Australia – which range from 1–80 per cent – will be eliminated immediately the agreement enters into force. More than three-quarters of Australia's current exports to Thailand will be tariff-free from the first day of the agreement.

In the first year of the agreement, it is estimated that Australian exporters to Thailand could save more than \$100 million in duties.

All Thai tariffs that are not eliminated immediately will be reduced when the agreement is implemented. Virtually all tariffs will be scrapped by 2010, although a few will be eliminated in the period after 2010.

Australia will grant improved access to Thailand across the board. For those products where Australia maintains tariffs, these will either be eliminated immediately or phased down over the transition period set down in the agreement.

TARIFFS FACING AUSTRALIAN EXPORTS TO THAILAND



Source: Fiscal Policy Office, Ministry of Finance, Thailand and Thailand-Australia FTA: Tariff Schedule of

IMPROVED PROSPECTS FOR SERVICES TRADE AND INVESTMENT

The agreement goes beyond the removal of tariff barriers. It also includes initiatives to free up and facilitate trade in services and two-way investment, two areas where Australia has important interests at stake.

The conditions for two-way services trade between the two countries will be improved through legally-binding rules that will promote liberalisation and transparency in regulatory procedures.

Thailand has guaranteed more open access for Australian companies to its services market in a range of sectors. The agreement includes a commitment to liberalise two-way services trade in the future.

The agreement will also improve access and protection for Australian investments and investors in Thailand. Australian investments will be guaranteed non-discriminatory treatment. In some sectors Thailand has agreed to relax its foreign equity caps.

The agreement is expected to be signed by the two governments in the first half of 2004 and will enter into force as soon as legal and parliamentary processes have been completed in the course of 2004.

OTHER FEATURES

The agreement includes rules to promote cooperation and best practice in a wide range of areas such as competition policy, e-commerce, industrial standards and quarantine procedures. The agreement also includes state-of-the-art provisions to avoid and settle disputes.

GAINS ACROSS THE BOARD

AGRICULTURAL GOODS

The elimination of Thailand's very high tariff and quantitative restrictions will bring major benefits for Australian agricultural exporters.

Grains and related products

Thailand will eliminate immediately its current tariffs on wheat, barley, rye and oats (current rates up to 25 per cent) and its tariff rate quota on rice. Tariffs will be eliminated on malt and wheat gluten immediately and phased down to zero in 2010 for wheat flour and starch.

Dairy

Tariffs on lactose, infant formula, casein and milk albumin (current rates up to 20 per cent) will be eliminated immediately. Tariffs on butter fat, milkfood, yogurt, dairy spreads and ice cream will be phased out in 2010. Tariffs on butter, cheese and milk powders will be cut immediately and phased down to zero in 2020. Australia will have additional quota access for skim milk powder and liquid milk and cream which will expand on an ongoing basis until the quota is eliminated.

Meat

For beef, Thailand's current tariff will be cut from 51 per cent to 40 per cent when the agreement enters into force and will then be reduced by 2.6 per cent each year until the tariff is eliminated in 2020. Similar arrangements will apply to pork, where the current Thai tariff is 33 per cent. For sheepmeat, the tariff will be phased down from its current rate of 32 per cent to zero by 2010.

Horticulture

Thailand will phase out its tariffs on most fresh fruit and vegetables (current rates at 33 or 42 per cent) to zero in 2010. Tariffs will be eliminated immediately on most tropical fruit and some canned fruit. Additional access will be provided under quota for fresh potatoes.

Sugar

Thailand will provide improved and preferential access to Australian sugar.

PROCESSED FOODS AND BEVERAGES

Thailand is already an important market for Australian processed food. The removal of Thailand's import barriers under the free trade agreement will improve the potential to expand exports.

Foodstuffs and preparations

Tariffs on a wide range of products will be eliminated immediately the agreement enters into force, including vegetable thickeners, chocolate, fruit mixtures and preserved fruit, sauces, and protein concentrates.

Tariffs on other processed food items, such as confectionery, margarine, bakery mixes and doughs, cereal products and biscuits – most of which are subject to tariffs of around 30 per cent – will be cut immediately and reduced to zero by 2010 in most cases.

Wine

Thai tariffs on Australian wines are currently between 54-60 per cent. Under the free trade agreement, these will be cut immediately to 40 per cent and then phased down each year until they reach zero in 2015. This outcome will assist Australia's wine industry to expand its share of the market in Thailand.

More than three quarters of current Australian exports will gain immediate tariff-free access to the Thai market.

AUTOMOTIVE PRODUCTS

The outcome in the automotive sector reflects the clear commitment in both countries to build on the existing strong complementarities between the two industries by stimulating trade through lower trade barriers.

Passenger motor vehicles

Currently, Thailand maintains tariffs of 80 per cent on imports of large passenger motor vehicles from Australia. That tariff will be eliminated immediately the agreement comes into force. For smaller vehicles, the tariff will be cut immediately to 30 per cent and then phased to zero by 2010.

Parts and components

Tariffs on all automotive parts, components and accessories (current rates up to 42 per cent) will be cut immediately to 20 per cent and then phased to zero in 2010. Tariffs on engines will be halved immediately.

MINING AND METAL PRODUCTS

Steel

Tariffs on most coated steel products will be eliminated in 2008. Tariffs on steel articles will either be eliminated immediately or phased down to zero in 2010. Thailand will eliminate immediately its tariff on steel slab and will halve its tariffs on flat-rolled steel products of commercial interest to Australia before phasing them down to zero in 2015.

Non-ferrous metals

Thailand's tariffs on Australian non-ferrous metals exports are currently 10 per cent or more. The agreement will result in the immediate elimination of tariffs on Australian copper bars and rods, copper alloys, unwrought lead, and tantalum. For a number of other important metals products, including refined copper, aluminium plates, sheets, strips and foil, lead and zinc, Thailand's tariffs will be halved when the agreement enters into force, and then phased out within three years.

CHEMICALS AND PLASTICS

All of these products will be subject to reduced tariffs on entry into force of the agreement and will be tariff-free by 2010. Currently, Thai tariffs on products such as pharmaceuticals, fertilisers, paints and varnishes, soaps and toiletries, photographic products, insecticides and plastics range between 10 and 30 per cent.

OTHER MANUFACTURED GOODS

The agreement will contain substantial immediate and phased-in tariff reductions on a wide range of other manufactured goods.

Tariffs on products such as tyres for motor vehicles, paper and printed material, whitegoods, air conditioners, engine parts, electrical parts, switching electrical circuits, railway equipment, ships, ferries and motor boats will be zero no later than 2010.

The clock is ticking – this is an historic opportunity for existing and potential Australian exporters alike.

SERVICES AND INVESTMENT

Thailand currently has a limit of 49 per cent on foreign equity involvement in virtually all services sectors. The cap is more restrictive in some areas.

Once the free trade agreement is in force, Thailand will permit majority Australian ownership of mining operations, certain construction services, management consulting services, major restaurants and hotels, tertiary education institutions specialising in science and technology and certain maritime cargo services. The agreement will also permit Australian companies which manufacture goods in Thailand to undertake distribution services without any limitation on Australian equity.

It is important to note that further negotiations will be held in the future to achieve further liberalisation of two-way services trade. This is aimed at capturing developments in Thailand's financial and telecommunications industries where regulatory reforms have not yet been completed.

The agreement also incorporates wide-ranging provisions that are aimed at improving the climate for two-way investment.

The articles on investment protection will guarantee a range of rights to Australian direct investors in Thailand, including the right to transfer their funds out of Thailand at any time.

The agreement will give Australian investors the right to seek impartial resolution of any disputes with the Thai government over their investments.

TEMPORARY MOVEMENT OF BUSINESS PERSONS

Reflecting the importance of stronger business linkages, the agreement also contains rules that will streamline the systems for the movement of business persons between Australia and Thailand.

A number of Thailand's conditions relating to visas and work permits for Australian business people will be relaxed, including by allowing longer periods of stay for Australian citizens. Australian business visitors to Thailand will no longer require a work permit for stays of up to 15 days (90 days for APEC Travel Card holders).

Thailand will permit all Australian business visitors access to the one-stop visa and work permit service and will allow Australians with work permits to participate in business meetings anywhere in Thailand.

HOW TO FIND OUT MORE

Comprehensive information on the agreement is available at www.dfat.gov.au together with details of relevant contacts in the Department of Foreign Affairs and Trade (DFAT).

DFAT officers are happy to provide advice on the contents of the agreement and its commercial implications. Enquiries can be directed to our e-mail: thailand-fta@dfat.gov.au or phone **(02) 6261 3545** or **(02) 6261 1251**.

If you would like to know more about the practical aspects of exporting to Thailand contact Austrade on **13 28 78** or visit www.austrade.gov.au