



## Deloitte Customs Alert

### FTA developments

#### Introduction

The Thai Foreign Trade Department stated last month that Thai exports under Free Trade Agreements (FTAs) and the Generalized System of Preferences (GSP) amounted to 28.03 billion USD in the first 5 months of 2018 or an increase of 20.5% over last year. These findings come at a time when Thailand is seeking opportunities to gain further access to foreign markets for its exporters through new FTAs.

#### What to know?

FTAs and the GSP allow companies to export their goods under preferential conditions to other countries. The most significant advantages are reduced or zero-duty import rates, which improve the competitiveness of Thai exporters' products in foreign markets. The preferential conditions in FTAs are applied reciprocally, which means importers in Thailand can also benefit from reduced prices for imports originating in other FTA members.

The increase in Thai exports under FTAs and the GSP is part of a larger overall trend that has seen Thai exports grow to the highest value in 5 years, despite the looming threats of trade wars and a global rise in protectionism.

In order to keep trade growth and its economic benefits on point, Thai authorities are now working to join the Comprehensive and Progressive Agreement for a Trans-Pacific Partnership (CPTPP)

which is currently being negotiated between 11 countries in the Pacific rim, among which Canada, Japan, Australia, New Zealand, Vietnam and Singapore.

Following the promise of the Thai Government to have elections in the near future, the EU also agreed to resume political talks with Thailand for the first time since 2014, including FTA discussions. While Thailand is eager to conclude a trade deal with the EU, the European bloc has tied the possibility of such FTA to the condition that Thailand organize elections first.

Thailand currently already has Free Trade Agreements (on its own or through ASEAN) with the other ASEAN Members, China, Japan, Republic of Korea, Australia, New Zealand, India, Peru and Chile.

### **What to do?**

As a Thai exporter or importer it is vital for your business to make use of the FTAs that are currently in place, if this is not the case yet. On export side it can result in increased competitiveness and on import side, reduced import duties lead to immediate business savings.

Companies need to check whether FTAs apply to their trade flows and make sure they meet all the requirements to utilize the benefits. Taking into account the different FTAs can also help companies with strategic decision making in terms of where to source products or what countries to export to.

Finally, it is important to stay on top of ongoing FTA developments and negotiations.

### **Contact**

Deloitte can support on the above topics and advise you on how to optimally benefit from the opportunities under FTAs, GSP and other customs privilege schemes. We can also keep you updated about the latest in international trade policy. If you have any further questions, you can always contact our Customs & Global Trade advisors.

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