

EXPECTATIONS AND CHALLENGES OF AN EU-THAILAND FREE TRADE AGREEMENT (FTA): PERSPECTIVES FROM EUROPEAN BUSINESS IN THAILAND

SURVEY REPORT

ABOUT THE SURVEY

Introduction

The survey report titled "Expectations and Challenges of an EU-Thailand Free Trade Agreement (FTA): Perspectives from European Business in Thailand" is developed in the context of the resumption of negotiations in 2023 between Thailand and the European Union (EU) for a free trade agreement. This report aims to provide an analysis of the expectations and potential challenges of the FTA from the perspective of European businesses operating in Thailand.

It covers both needs and wishes of European business in Thailand, as well as expectations about improvements which an FTA may bring.

This survey was created by the European Association for Business and Commerce (EABC), known as the European Chamber of Commerce Thailand, with support from the European bilateral Chambers in Thailand and the EU Delegation in Thailand.

Methodology

The survey was conducted from July to September 2023. Online questionnaires were distributed by the European bilateral Chambers in Thailand to their European business members. A total of 76 responses were collected from various business sectors, informing the analysis presented in this report.

ACKNOWLEDGEMENT

EABC would like to extend our gratitude to the European bilateral Chambers of Commerce in Thailand (shown below) for their support in distributing and sharing the survey to their networks.

Belgian-Luxembourg Thai Chamber of Commerce (BeLuThai)

Franco-Thai Chamber of Commerce (FTCC)

German-Thai Chamber of Commerce (GTCC)

Hellenic-Thai Chamber of Commerce (HTCC)

Irish-Thai Chamber of Commerce Thailand (ITCC)

Netherlands-Thai Chamber of Commerce (NTCC)

Polish Investment and Trade Agency (PAIH)

Spanish-Thai Chamber of Commerce (SPTCC)

Thai European Business Association (TEBA)

Thai-Finnish Chamber of Commerce (TFCC)

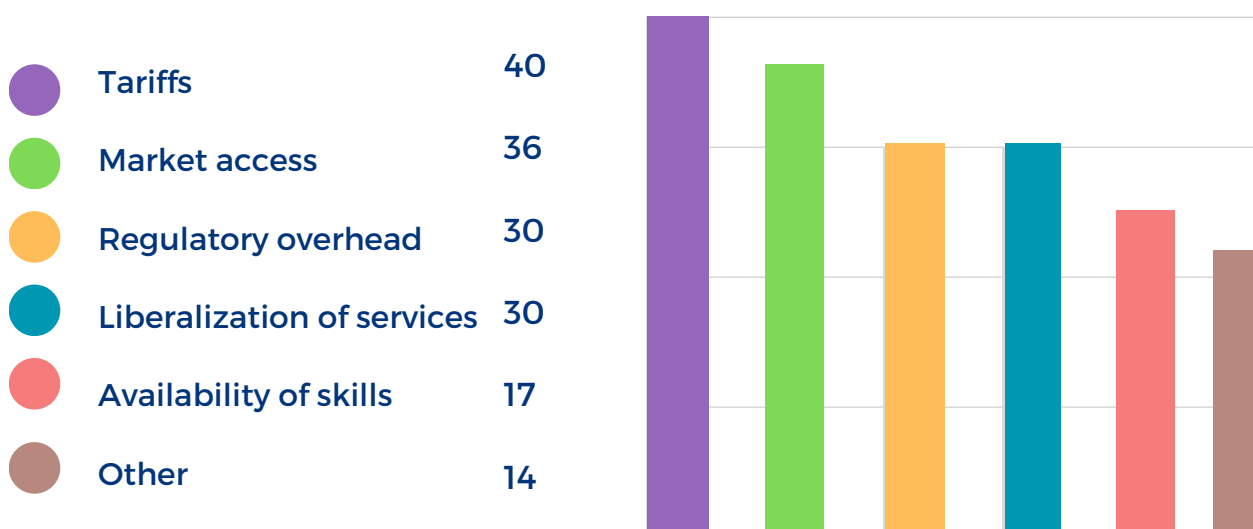
Thai-Italian Chamber of Commerce (TICC)

Thai-Swedish Chamber of Commerce (SweCham)

The Romanian-Thai Chamber of Commerce (RTCC)

EXPECTATIONS AND CHALLENGES OF AN EU-THAILAND FTA: PERSPECTIVES FROM EUROPEAN BUSINESS IN THAILAND

What high-level changes do European businesses expect from the FTA?



*As numbers of respondents

**For the survey details, please refer to pages 11 and 12.

What are the topics that European business think are important in this FTA?

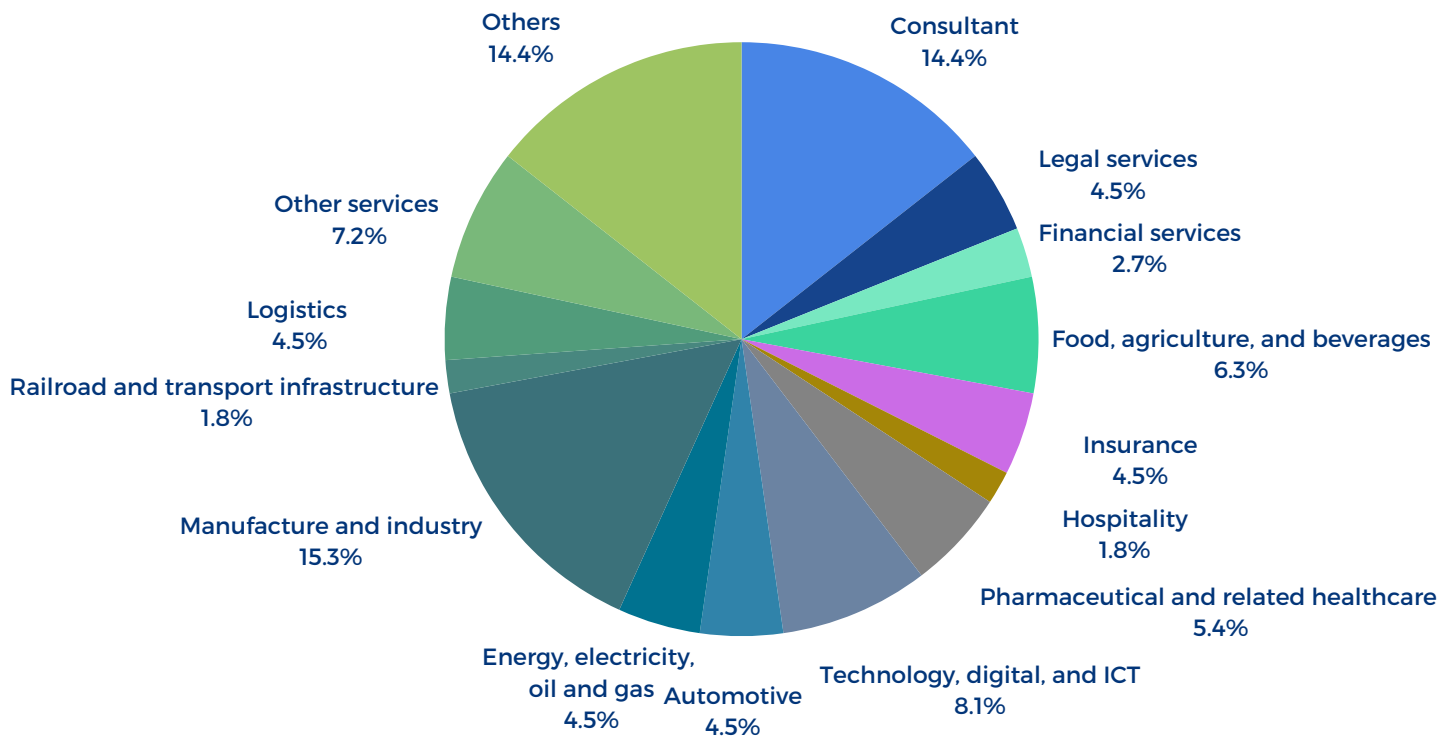


*5.00 being most important and 0.00 being least important

**For the survey details, please refer to pages 13 and 14.

EXPECTATIONS AND CHALLENGES OF AN EU-THAILAND FTA: PERSPECTIVES FROM EUROPEAN BUSINESS IN THAILAND

The business sectors of the respondents



*As a percentage of 76 respondents

SURVEY RESULTS: NARRATIVE FEEDBACK OF EUROPEAN BUSINESSES ON THE EU-THAILAND FREE TRADE AGREEMENT

This section summarizes narrative (free text) feedback from the respondents of this survey, focusing on trade barriers, rules of origin, customs and trade facilitation, technical barriers to trade, services and investment, intellectual property, government procurement, and trade and sustainable development.

1. High tariffs, import duties, and quota limitations on the importation of certain products from the European Union

The survey responses highlighted the need to eliminate these tariffs and ease quota limitations to make European products more cost-efficient and enhance competitiveness in the Thai market.

2. Lengthy lead times and complexity in customs clearance procedures

The survey responses revealed delays and prolonged customs procedures and concerns particularly related to customs valuation and harmonized codes of imported goods. Simplifying and streamlining these procedures would improve trade facilitation.

3. Technical trade barriers

The survey responses identified various market access barriers, such as restrictions on product registration and the importation of certain products. They recommended harmonizing technical regulations, accepting international standards and certifications, and reducing unnecessary procedures to address these barriers.

4. Market access barriers and restrictions on foreign ownership in certain industries

The survey responses highlighted market access barriers in Thailand, including restrictions on foreign ownership in certain industries. They suggested lifting foreign ownership restrictions in the service sector, improving regulatory facilitation, accepting international qualifications, and simplifying visa and work permit procedures to enhance investment and growth potential for European businesses in Thailand.

5. Intellectual property, government procurement, and trade and sustainable development

The survey responses disclosed challenges and recommendations in these areas to support enhanced investment and business operations more effectively and sustainably.

The details from the survey can be elaborated as follows:

TRADE IN GOODS

- High tariffs and import duties are imposed on certain products imported from the European Union, including skim milk powder, coffee beans, coffee grounds, coffee capsules, automotive-related products, cigarettes, tobacco products, porcelains, ceramic tiles, cutlery, glassware, steel, stainless steel, jewelry, food, beverages, alcoholic beverages, fruits, medical lenses, and pharmaceutical products. Eliminating these tariffs will make European products more cost-efficient and enhance their competitiveness in the Thai market.
- The survey responses revealed delays and prolonged customs procedures and concerns particularly related to customs valuation and harmonized codes of imported goods. Simplifying and streamlining these procedures would improve trade facilitation.
- The survey responses also indicated a need to reduce import duties on certain products exported from Thailand to the European Union, such as industrial fans, coating resins, and other industrial products. This reduction would enhance the competitiveness of European Union companies investing in Thailand as a manufacturing hub for exports meeting European standards.

RULES OF ORIGIN

- Revisiting the requirements, calculations, and procedures related to the Rules of Origin (ROO) is crucial to ensure fair and transparent implementation. This consideration could also be incorporated into the development of an annex specific to automotive products in the agreement.

CUSTOMS AND TRADE FACILITATION

- The survey responses revealed lengthy lead times, complexity, and unpredictability in customs clearance procedures. These issues involved delays, prolonged discussions with customs officers regarding customs valuation, and alignment on the harmonized codes of imported goods from European countries in various industrial sectors, such as automotive and ceramic panels. The customs reward system was also noted to be contributing to these factors.

TECHNICAL BARRIERS TO TRADE

- Various market access barriers create difficulties in market entry, increasing lead times, costs, and loss of competitiveness. These include restrictions on certain product registrations, such as solar power converter units, and restrictions on the importation of certain automotive-related products.
- To facilitate investment and market access, it is necessary to provide an access portal for regulations related to business licensing, reducing concerns about language barriers.
- Certification requirements under the Thai Industrial Standards Institute (TISI) should align with international standards to facilitate the importation of goods and reduce unnecessary technical barriers.
- The regulatory requirements for product registration, licensing, and certifications are complex and uncertain. These processes can be time-consuming, involve excessive paperwork, and create unnecessary burdens, forming technical trade barriers.
- Recommendations include harmonizing technical regulations and accepting international test reports and certificates, such as European standards and CE certifications, to avoid additional local testing requirements. Relevant government agencies include the Customs Department, the Thailand Food and Drug Administration, the Department of Livestock, the Department of Fisheries, the Department of Agriculture, and the Ministry of Transportation.
- Examples of specific barriers include NBTC (Office of The National Broadcasting and Telecommunications Commission) certification and the distribution of foreign manufactured hardware products (to a standard) for electronics and communication devices, product registration and licensing of pet food products, product licensing procedures, and national reimbursement listing for health-related and pharmaceutical products.
- Since Thailand promotes itself as a trade exhibition destination, the import and export requirements and procedures for relevant products for trade exhibitions and sample importation should be facilitated. There are barriers to the MICE sector which impede Thailand's otherwise good standing.
- Establishing technical cooperation working groups between the European Union and Thailand, with industry expert participation in areas like automotive, pharmaceuticals and electronics, can help resolve discrepancies and facilitate investment and technical improvements through regular meetings.

SERVICE AND INVESTMENT

- The proposed EU-Thailand Free Trade Agreement should support European industry by facilitating services export, business expansion, and increasing the number of qualified exporters utilizing Thailand as an importing and production hub for exports to the European Union.
- Many businesses experience market access barriers in the services sector in Thailand, with local regulations limiting their ability to offer services to the domestic market. This restricts their investment, growth potential, and profitability.
- The Foreign Business Act in Thailand imposes restrictions on foreign ownership in certain industries in particular services. To enhance European Union investment in Thailand, facilitating foreign investment and operations in specific product and service sectors should be considered, especially in services such as insurance, logistics and transport, consultation, higher education, financial services, and areas related to innovation and technical advancement, which will benefit Thailand's development.
- Services exports to the EU as a percentage of overall exports are low (about 10%). The skills gap in Thailand contributes to this.
- Recommendations are also made for the acceptance of international and overseas qualifications in the service sector to enhance skills.
- Complex visa and work permit procedures for foreign service technicians and professionals can create delays and additional administrative burdens. Simplifying these processes would facilitate the movement of skilled professionals. Some visa programmes are niche and small in volume, and do not support addressing the skills gap fully.
- Facilitating the entry of more foreign technical services, such as skilled technicians or engineers for specialized business operations, including digital sectors in a range of areas such as AI, quantum technology, is also required.
- The Free Trade Agreement should enhance trade between the European Union and Thailand, necessitating improvements in transportation solutions and services.
- Investment and market access facilitation should include providing access to regulations related to service licensing and improving language skills in some service sectors, such as the tourism industry, to reduce concerns about language barriers.

INTELLECTUAL PROPERTY

- Patent registration in Thailand is lengthy and poses uncertainty for business operations and trade impacts. This necessitates a mechanism to ensure the effectiveness of patent registration, protection, enforcement, and fair treatment for investors, along with significant reform in the patent registration system and enforcement.
- Strengthening enforcement against counterfeiting and smuggling is strongly recommended, with consideration given to establishing an enforcement consultation mechanism under the framework of the free trade agreement.
- Regarding compulsory licensing, provisions for compulsory licensing could be considered in situations of public health crises or emergencies, allowing governments to grant licenses to produce and market generic versions of patented drugs. This should be exercised in accordance with the conditions in the TRIPS Agreement.
- Copyright protection is largely in line with global and EU norms in terms of laws, but not always in terms of practices. The MoUs in the sector support better respect.

GOVERNMENT PROCUREMENT

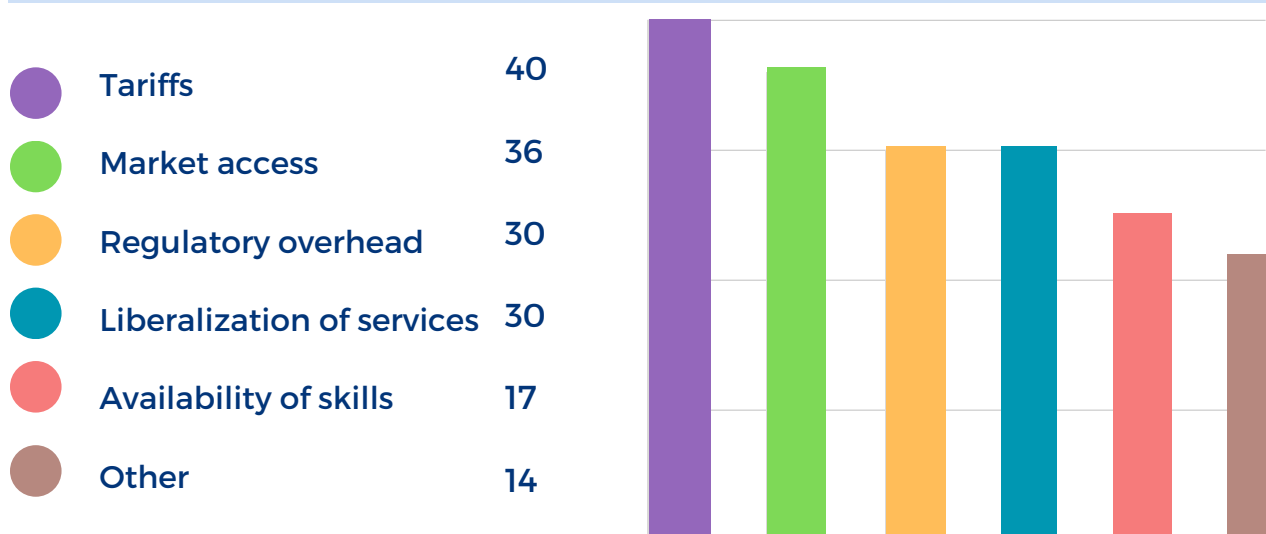
- Any preferential treatment for state-owned or national pharmaceutical companies should be eliminated. This will foster a level playing field, ensuring fair treatment and open competition for all participants, including SOEs, to promote effective market mechanisms.
- Legislation in procurement, regulatory frameworks, and Trade Competition Law must be reviewed to allow further liberalization and enable competition on an equal basis. The principle of non-discriminatory treatment should be applied.

TRADE AND SUSTAINABLE DEVELOPMENT

- To encourage business operations toward a more sustainable economy including all ESG factors, which cover the breadth of sustainable development, it is recommended to establish incentivized mechanisms or exempt certain requirements for companies that comply with this direction. Many of the EU regulations including those under the European Green Deal will be in force before an FTA is in force. The FTA would facilitate implementation and ensure trade competitiveness.

SURVEY RESULT: EXPECTATIONS OF EUROPEAN BUSINESSES ON THE CHANGES FROM EU THAILAND FREE TRADE AGREEMENT

This section summarizes narrative feedback from the respondents of this survey, focusing on trade barriers, rules of origin, customs and trade facilitation, technical barriers to trade, services and investment, intellectual property, government procurement, and trade and sustainable development.



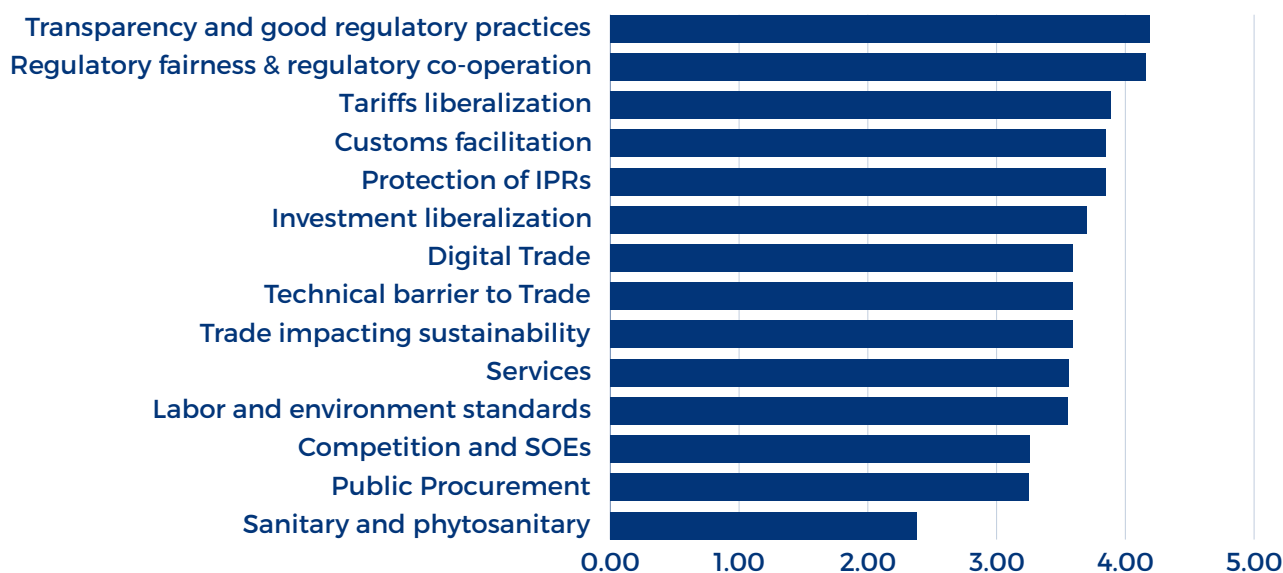
*As numbers of respondents

Topics	Numbers of Respondents (Total: 76)	Expectations of European Businesses
Tariffs	40	Reduction or elimination of tariffs and import duties is a key expectation. Companies look forward to simplified and harmonized tariff structures and procedures for imported products, including liberalization to enhance competitiveness.
Market access	36	Emphasizing the importance of earning trust among Thai businesses by aligning with EU standards and facilitating compliance with Thai regulations. This alignment would reduce the complexity of entering Thailand and foster trade opportunities including for Small and Medium-sized Enterprises (SMEs). Collaboration between governments to share knowledge on best practices is also desired.

Topics	Numbers of Respondents (Total: 76)	Expectations of European Businesses
Regulatory overhead	30	<p>Seeking a reduction in regulatory overhead, including simplified processes, enhanced consistency in application procedures, and alignment with international standards and practices.</p>
Liberalization of services	17	<p>Addressing the shortage of skilled labor in Thailand is critical. Companies emphasize the need for local education and skills development to meet international standards. They also seek measures to facilitate hiring foreign workers for positions requiring specific expertise. Bridging the skills gap is essential for business growth.</p>
Other areas	14	<p>Addressing improvements in various other areas, including the enhancement of intellectual property protections with the establishment of patent term restoration, patent linkage, and data exclusivity for effective patent protection.</p> <p>Seeking the removal of technical barriers to trade, elimination of preferential treatment and privileges in government procurement, updated insurance regulations, liberalization of ownership, and the establishment of a technical cooperation committee between the EU and Thailand to ensure technical facilitation for effective implementation of the FTA.</p> <p>Other expectations include changes to the Foreign Business Act to allow non-critical business activities without restrictions.</p>

SURVEY RESULT: RANKING OF TOPICS IMPORTANT FOR EUROPEAN BUSINESSES IN THAILAND

The horizontal axis (1 to 5) shows the average importance rating per topic



*5.00 being most important and 0.00 being least important

1. Transparency and Regulatory Practices: This topic received the highest rating in the EU-Thailand FTA survey, with an average score of 4.19, indicating that businesses highly value transparency and effective regulatory practices. Clear regulations and transparent procedures are essential for businesses to operate efficiently and confidently in an increasingly interconnected global economy.

2. Regulatory Fairness & Regulatory Cooperation: With an average rating of 4.16, this highlights the emphasis on equitable treatment of businesses and the importance of cooperation between regulatory bodies in both the EU and Thailand. A fair and cooperative regulatory environment can reduce barriers to trade and encourage foreign investment, ultimately benefiting both parties.

3. Tariff Liberalization and Customs Facilitation: "Tariff liberalization" and "Customs facilitation" received respective averages of 3.89 and 3.85. These aspects are crucial for international trade, as they affect the cost and ease of moving goods across borders. Businesses appreciate the importance of reduced tariffs and streamlined customs procedures in expanding their market reach and improving competitiveness.

4. Protection of Intellectual Property Rights (IPRs): With an average rating of 3.85, intellectual property is a cornerstone of innovation and economic growth. Ensuring robust protection of IPRs encourages businesses to invest in research and development, fostering creativity and competition.

5. Investment Liberalization: This topic received an average rating of 3.70, indicating moderate importance. While important for foreign investors and businesses looking to expand in Thailand, it may not hold the same level of urgency as regulatory transparency or IPR protection.

6. Digital Trade, Technical Barriers to Trade, and Trade Impacting Sustainability: All these topics received an average rating of 3.59. These topics reflect the evolving dynamics of international trade, encompassing digitalization, addressing technical hurdles, and promoting sustainable practices. Businesses recognize the importance of adapting to these changing trends and ensuring that trade remains conducive to global sustainability goals.

7. Services: With an average rating of 3.56, addressing technical obstacles and promoting the trade in services are essential for a well-rounded and dynamic business environment. This includes addressing the skills gap.

8. Labor and Environment Standards: This topic received an average rating of 3.55, reflecting the growing global awareness of sustainable practices and the importance of maintaining labor rights and environmental protection.

9. Competition and State-Owned Enterprises (SOEs): With an average rating of 3.26, enhancing competition and addressing SOE-related issues could further stimulate economic growth and innovation. Procurement issues abound; market access to government is recognized as an important topic.

10. Sanitary and Phytosanitary Measures: With the lowest rating of 2.38, "Sanitary and phytosanitary measures" appear to be of lesser concern to businesses in Thailand. However, it is important to note that these measures are critical for industries related to agriculture and food safety.

General note: response levels reflect interest more than relative importance. One topic (e.g. No. 10.) may be vital and essential to a sector, for example.

ABOUT US

The European Association for Business and Commerce (EABC), known as European Chamber of Commerce Thailand, established in 2011, aims to be the unified voice of the European business community in Thailand. EABC's objectives are to advocate member interests, to support European business in Thailand and to promote Thailand as an attractive partner for European foreign investment and trade. EABC acts as the European chamber of commerce in Thailand, covering all EEA (European Economic Area) states, and the UK not just EU states.

The EABC is committed to working closely with European businesses, the Royal Thai Government, the EU Institutions, and the Chambers of Commerce as well as counterparts in Thailand, in ASEAN, and in Europe. Every year EABC issues a position paper with recommendations by the European business community in Thailand for the Thai government.

Our main activities include carrying out policy and advocacy dialogues, building consensus, providing support to European businesses about trade and investment, and organizing key events to foster opportunities for European businesses in Thailand.



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