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The Impact of Thailand's FTAs on U.S. Agri-Food Exports

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Report Highlights:

This report analyzes the impact that Thailand's Free Trade Agreements with other countries have had on U.S. agri-food exports to Thailand. It finds that these agreements reduced U.S. competitiveness and exports of consumer-oriented agricultural products, but has not strongly impacted other agricultural product groups.

Executive Summary:

Over the past 20 years, Thailand has entered into free trade agreements (FTA) with a number of other countries including China, Australia, New Zealand, Japan, India, the Association of South East Asian Nations (ASEAN), Chile, and Peru. FAS/Bangkok previously examined the impact of these FTAs on U.S. agricultural exports to Thailand in 2010 ([TH0031](#)) and in 2013 ([TH3030](#)). Using trade data from 2006 to 2018, this report will further examine how Thailand's FTAs with other countries have impacted U.S. agri-food exports.

The overall findings from this analysis echoes the findings in the 2010 and 2013 reports. For the most part, U.S. exports of bulk agricultural commodities, intermediate agricultural products, and forest and fishery products have not been adversely affected by Thailand's FTAs with other countries as tariffs on these products are relatively low. However, analysis shows that these FTAs have reduced U.S. competitiveness and exports of consumer-oriented agricultural products, including dairy products, fresh fruit, processed vegetables and pulses, snack foods, breakfast cereal, condiments and sauces, and pet food. Post estimates that Thailand's FTAs with other countries annually diverts U.S. \$283 million of potential U.S. exports to other countries.

Highlights about Thailand's Commitments to Its FTA Partner Countries

ASEAN Free Trade Area

The Association of South East Asian Nations (ASEAN) was formed in 1967 with six member countries: Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand, and was later expanded to include Cambodia, Laos, Myanmar and Vietnam. As ASEAN developed bringing Southeast Asian countries closer together, the idea of an ASEAN Free Trade Area (AFTA) began to grow. The AFTA came into force on January 1, 1993. The ASEAN member countries also signed an agreement for a Common Effective Preferential Tariff (CEPT) Scheme on January 28, 1992, to eliminate tariffs and non-tariff barriers in the region.

There are four categories of product lists covered under the CEPT Agreement: 1) Inclusion List (IL), in which covered products are subject to immediate reduction tariff; 2) Temporary Exclusion List (TEL), in which covered products can be delayed for trade liberalization for a period of time; 3) Sensitive List (SL), in which covered products are unprocessed agricultural products that are given a longer period of time before tariff reductions are implemented; and 4) Exclusion List (EL), in which covered products are permanently excluded from the free trade area to protect national security, public morals, human/animal/plant health, and articles of artistic, historic and archaeological value.

AFTA achieved a zero-tariff goal for the ASEAN-6 (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) in 2010, and in 2015 for CLMV (Cambodia, Laos, Myanmar, and Vietnam). Under the CEPT Agreement, Thailand's import tariff rates for 8,031 items, which covers all products except for agricultural products under the highly sensitive list (coffee, coconut, fresh cut flowers, and potatoes), are zero as of January 1, 2010, for other ASEAN countries. However, in practice despite the CEPT, ag products on sensitive list still face import restrictions.

Under AFTA, the Agreement of Trade in Goods includes Chapter 8 “Sanitary and Phytosanitary (SPS) Measures”, which requires members to affirm their rights and obligations with respect to each other under the World Trade Organization (WTO) SPS Agreement. In order to implement this chapter, the ASEAN Committee on SPS Measures was formed. The agreement also calls for the elimination of non-tariff barriers (NTBs) by the following dates:

Brunei, Indonesia, Malaysia, Singapore and Thailand by January 1, 2010;

Philippines by January 1, 2012;

Cambodia, Lao PDR, Myanmar, and Vietnam by January 1, 2015 with flexibilities up to 2018.

ASEAN entered into a more comprehensive cooperation framework called the ASEAN Economic Community (AEC) on December 31, 2015. The AEC combines free trade, along with other objectives such as regionalization, as a one-market community, improved regional competitiveness, reduced economic gap among ASEAN countries, labor mobility, etc. As of 2016, ASEAN 6 countries (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) apply no tariff rates for 99.2 percent of tariff lines, while the other ASEAN countries of Cambodia, Laos, Myanmar, and Vietnam (CLMV) apply zero tariff rates for 90.9 percent of tariff lines and 5 percent tariff for 6.62 percent of tariff lines.

ASEAN-China FTA

The ASEAN-China Summit in Brunei in November 2001 established a framework for an ASEAN-China Free Trade Area (ACFTA) within ten years. The framework recognized the different levels of economic development among the Parties and provided for economic cooperation in (1) agriculture; (2) information and communication technology; (3) human resources development; (4) investment; and (5) Mekong River basin development.

On June 18, 2003, Thailand and China signed the Early Harvest Scheme on fruits, vegetables, and nuts. Under the scheme, import duties on these products (harmonized codes of chapter 07-08) were eliminated in October 2003.

In order to accelerate the implementation of this agreement, the ASEAN Parties agreed on an Early Harvest Program. Products covered by the Early Harvest Program include: 1) Products under HS Code Chapter 01-08, unless otherwise excluded by a Party in its Exclusion List; and 2) Specific products set out in Annex 2 of the Agreement. As ASEAN 6 has no exclusions for any products, tariff rates for all commodities from Chapter 01 to Chapter 08 among the ASEAN 6 countries and China were eliminated in January 2007. For Thailand and China, tariffs for nearly all tariff lines except products under the Sensitive List were eliminated as of January 1, 2010.

Japan-Thailand Economic Partnership Agreement

The Japan-Thailand Economic Partnership Agreement (JTEPA), signed in April 2007, took effect in November 2007. As a part of the agreement, Thai import tariffs for Japanese fresh fruit, including apples, persimmons, peaches and pears, were eliminated immediately. In addition, tariffs on fresh melons and grapes were phased to zero in 2009. Oranges, strawberries and cherries reached zero tariffs by 2012. Import tariffs for many other Japanese agricultural products were gradually eliminated over a longer period of time including most seafood products (eliminated in 2012), confectionery (eliminated

in 2015), chocolate products (eliminated in 2014), soup and broth preparations (eliminated in 2014), and beer (eliminated in 2012).

Under the JTEPA, both Parties reaffirmed full compliance with their obligations under the WTO Agreement. JTEPA does not have specific chapters on SPS or TBT measures.

Thailand-Australia FTA

The Thailand-Australia Free Trade Agreement entered into force on January 1, 2005. Under the agreement, Thailand agreed to remove tariff barriers for 49 percent of products in 2005, 96 percent by 2010, and all products by 2020. Australian meat, dairy, fruit and vegetables, wine, beer and spirits and other processed foods are expected to benefit the most. Tariffs for hides and skins, wool and cotton were eliminated immediately. Thailand and Australia agreed to impose Special Safeguard Measures (SSG) for the most sensitive agricultural products such as beef, pork, offals, dairy products, some fruits, and french fries. These products are subject to higher tariff rates if imports exceed negotiated volume thresholds. The SSG is supposed to be terminated in 2020. In addition, Thailand imposes tariff-rate-quotas for certain agricultural sensitive products including some dairy products, fresh or chilled potatoes, coffee beans, tea, sugar, and instant coffee. Tariff-rate-quotas for these products will be terminated in 2025.

Thailand-New Zealand Closer Economic Partnership (CEP)

Thailand and New Zealand's CEP entered into force in July 2005. Under this agreement, Thailand agreed to immediately eliminate tariffs and quotas on 52 percent of all product imports from New Zealand. Tariffs for all tariff lines will reach zero in 2020, greatly benefiting New Zealand exports of dairy, meat, fruit and vegetables, seafood, forestry products, processed food and beverages. As with Australia, there are SSG protections for sensitive commodities which include dairy products, meat products, and some fresh fruits. These SSG protections are set to expire in 2020.

Thailand-Peru Free Trade Area

In October 2003, Peru and Thailand agreed to set out a framework agreement towards a bilateral free trade agreement (FTA). In October 2003, a Framework Agreement towards an Economic Association was signed. Two protocols intending to accelerate and liberalize trade in goods and trade facilitation were signed in 2005 and 2006. The agreement entered into force on December 31, 2011. Tariffs on all products were eliminated by 2018, with tariffs on several products being eliminated immediately when the agreement was effective.

Thailand-Chile Free Trade Area

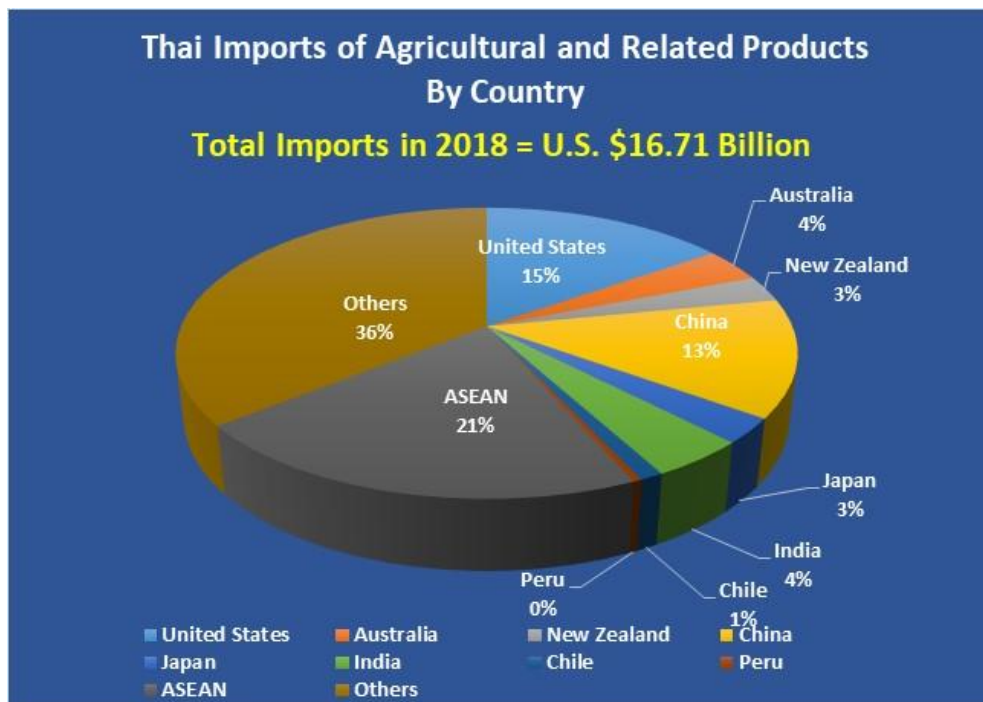
At the 2005 APEC leaders' meeting, Chile and Thailand agreed to study the possibility of negotiating a free trade agreement. This eventually led to a FTA between Thailand and Chile, which was signed October 4, 2013 and entered into force November 5, 2015. Under the agreement's tariff schedule, tariffs for all agricultural products excluding tobacco (HS Code Chapter 01-23) are to be eliminated in 2020. Regarding sanitary and phytosanitary (SPS) measures, both countries agree to ensure and enhance implementation of the WTO SPS Agreement and other applicable international standards,

guidelines and recommendations.

Overall Thailand's Agricultural Import Trends

In 2018, Thailand was the 15th largest export market for U.S. aggregate agricultural products (total bulk, intermediate, consumer-oriented and related products) and the 11th largest supplier of aggregate agricultural products to the United States. Between 2006 and 2018, Thailand's global aggregate agricultural imports rose 9.0 percent annually, from U.S. \$6.6 billion in 2006 to U.S. \$16.7 billion in 2018.

Chart 1: Thai Imports of Agricultural and Related Products

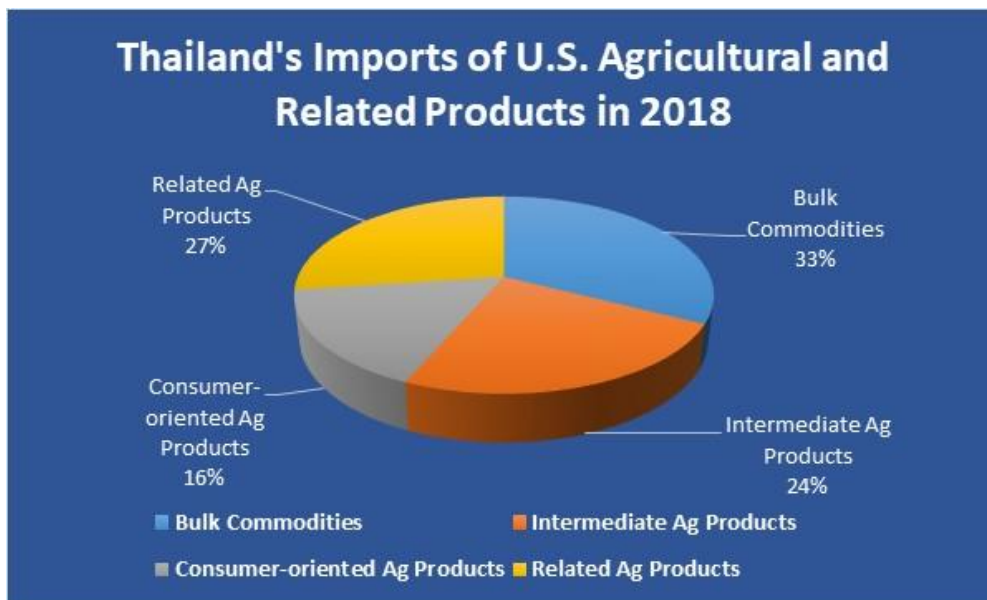


U.S. market share of Thai agricultural imports increased slightly to 15.2 percent in 2018 from 12.8 percent in 2006. ASEAN countries have also seen their combined share of the Thai agricultural imports grow slightly to 20.8 percent in 2018 from 19.8 percent in 2006, while China's market share grew to 13 percent in 2018 from 6.8 percent in 2006. Surprisingly, despite signing FTAs with Thailand, the market shares for Australia and New Zealand both declined between 2006 and 2018. Australia's market share fell to 3.8 percent in 2018 from 7.7 percent in 2006, while New Zealand's market share dropped to 2.9 percent from 3.4 percent in 2006.

The growth in U.S. market share was led by increased exports of bulk agricultural commodities, intermediate agricultural products, and agricultural related (forest and fishery) products. The U.S. market share for agricultural bulk commodities grew to 31.4 percent in 2018 from 29.1 in 2006. The U.S. market share for agricultural intermediate products rose to 15.2 percent in 2018 (from 11.8 percent

in 2006) while market share for agricultural related products increased to 6.3 percent in 2018 (from 3.6 percent in 2006). These three categories accounts for 84 percent of Thailand’s total agricultural imports from the United States, as shown in Chart 2, as compared to 65 percent of Thailand’s total agricultural imports from all countries:

Chart 2: Thailand’s Imports of U.S. Agricultural and Related Products



One key reason that U.S. market share for these categories has grown, despite the lack of an FTA with Thailand, is that for these product categories Thailand has low import tariffs (0-10 percent) on products from WTO member countries. Additionally, the United States is the world’s largest supplier for several products in these categories, especially agricultural bulk commodities (such as soybean, cotton, and distilled dried grains with solubles (DDGS)), and Thailand relies on U.S. supplies to meet domestic demand. Another contributing factor is that many of Thailand’s FTA partners are not major suppliers for these product categories.

However, U.S. market share for consumer-oriented agricultural imports has declined during the same time period. *This decline is attributable to the competitive advantage other countries have in exporting products to Thailand due to their FTAs.* On average, import tariffs on U.S. agricultural consumer-oriented products are 10-40 percent higher than products originating from Thai FTA member countries. The U.S. market share for this product category dropped by 2.4 percent annually, while the market share of China and ASEAN increased by 3.4 percent and 4.1 percent annually from 2006-2018 respectively (Chart 3).

Chart 3: Changes in Market Share for Thai Consumer-Oriented Agricultural Product Imports

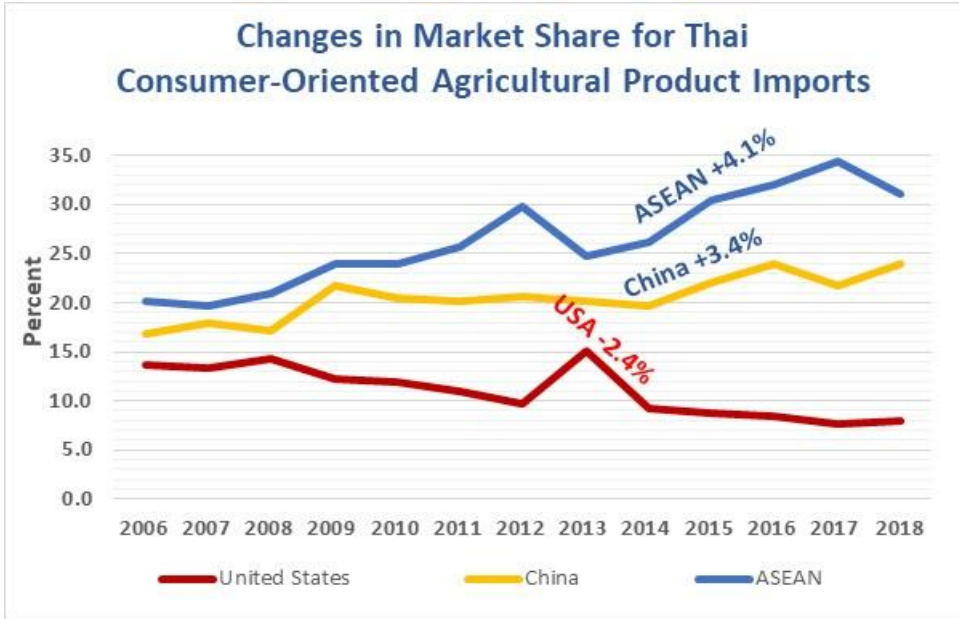
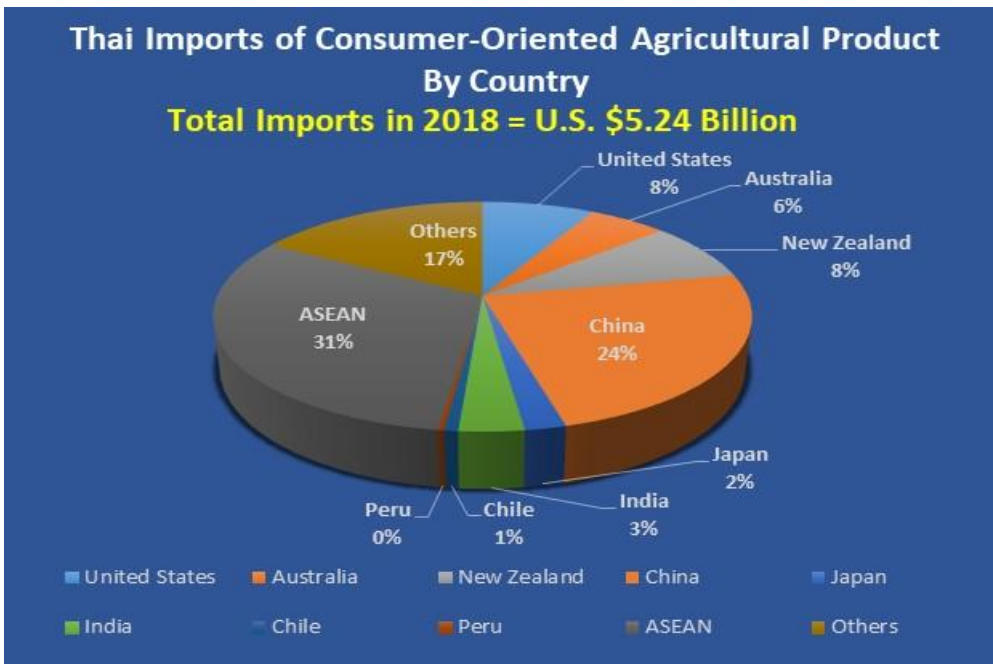


Chart 4: Thai Imports of Consumer-Oriented Agricultural Products, 2018



A Closer Look at U.S. Agricultural Consumer-Oriented Product Market Share

Thailand's FTAs have decreased the competitiveness of many U.S. consumer-oriented agricultural

exports. Table 1 shows Thailand's tariff schedule on selected consumer-oriented agricultural products.

Table 1: Thailand's Tariff Rate Schedule for the United States and FTA Partner Countries

	The United States	ASEAN			China		
	2006-2018	2006	2012	2018	2006	2012	2018
Dairy Products	5-30%	0-5%	0%	0%	5-30%	0%	0%
Fresh Fruit	10-40%	0%	0%	0%	30-40%	0%	0%
Processed Fruit	30-40%		0%	0%	30-40%	0%	0%
Processed Veg & Pulses	30-40%	0-5%	0%	0%	30-40%	0%	0%
Fresh Vegetables	40%	0-20%	0%	0%	40%	0%	0%
Tree Nuts	10-40%	0%	0%	0%	10-40%	0%	0%
Snack Foods	10-30%	0-5%	0%	0%	10-30%	0%	0%
Breakfast Cereal/Pancake Mix	20-30%	0-5%	0%	0%	20-30%	0%	0%
Condiments and Sauces	30%	0-5%	0%	0%	0.3	0%	0%
Pet Foods	9%	0%	0%	0%	9%	9%	5%
Poultry Meat	30-40%	0%	0%	0%	30-40%	0%	0%
Red Meat, Fresh/Chilled/Frozen	30-50%	0%	0%	0%	30-50%	0%	0%
Red Meat, Processed/Prepared	30-50%	0%	0%	0%	30-50%	0%	0%
Wine and Beer	54-60%	5%	0%	0%	54%	0%	0%

	The United States	Japan			India		
	2006-2018	2006	2012	2018	2006	2012	2018
Dairy Products	5-30%	5-30%	0-10%	0%	5-30%	5-30%	5-30%
Fresh Fruit	10-40%	10-40%	0-10%	0%	0-40%	0-40%	0-40%
Processed Fruit	30-40%	30-40%	0-10%	0%	10-40%	10-40%	10-40%
Processed Veg & Pulses	30-40%	30-40%	0-10%	0-10%	30-40%	30-40%	30-40%
Fresh Vegetables	40%	40%	0%	0%	40%	40%	40%
Tree Nuts	10-40%	10-40%	0%	0%	10-40%	10-40%	10-40%
Snack Foods	10-30%	10-30%	0-18%	0%	10-30%	10-30%	10-30%
Breakfast Cereal/Pancake Mix	20-30%	20-30%	10%	0%	20-30%	20-30%	20-30%
Condiments and Sauces	30%	30%	10%	0%	30%	30%	30%
Pet Foods	9%	9%	0%	0%	9%	9%	9%
Poultry Meat	30-40%	30-40%	8-10%	0%	30-40%	30-40%	30-40%
Red Meat, Fresh/Chilled/Frozen	30-50%	30-50%	0-13%	0%	30-50%	30-50%	30-50%
Red Meat, Processed/Prepared	30-50%	30-50%	10%	0%	30-50%	30-50%	30-50%
Wine and Beer	54-60%	54%	0-22%	0%	54-60%	54-60%	54-60%

	The United States	Australia			New Zealand		
	2006-2018	2006	2012	2018	2006	2012	2018
Dairy Products	5-30%	0-28%	0-18%	0-4%	0-27%	0-16%	0-4%
Fresh Fruit	10-40%	0-27%	0-12%	0%	0-27%	0-9%	0%
Processed Fruit	30-40%	0-18%	0%	0%	0%	0%	0%
Processed Veg & Pulses	30-40%	0-24%	0%	0%	0-24%	0%	0%
Fresh Vegetables	40%	0-24%	0%	0%	0-24%	0%	0%
Tree Nuts	10-40%	0-27%	0%	0%	0-18%	0%	0%
Snack Foods	10-30%	0-27%	0-9%	0-9%	0-30%	0-9%	0%
Breakfast Cereal/Pancake Mix	20-30%	0-24%	0%	0%	18%	0%	0%
Condiments and Sauces	30%	0-24%	0%	0%	0-24%	0%	0%
Pet Foods	9%	6%	0%	0%	6%	0%	0%
Poultry Meat	30-40%	0-24%	0%	0%	18-24%	0%	0%
Red Meat, Fresh/Chilled/Frozen	30-50%	0-28%	0-18%	0-4%	28-37%	16-21%	4-5%
Red Meat, Processed/Prepared	30-50%	0-24%	0-18%	0-4%	18%	0%	0%
Wine and Beer	54-60%	30-40%	0-16%	0%	24-36%	9-12%	0%

	The United States	Chile			Peru		
	2006-2018	2006	2012	2018	2006	2012	2018
Dairy Products	5-30%	5-30%	5-30%	0-30%	5-30%	5-30%	0%
Fresh Fruit	10-40%	10-40%	10-40%	0-30%	10-40%	10-40%	0%
Processed Fruit	30-40%	30-40%	30-40%	0-16%	30-40%	30-40%	0%
Processed Veg & Pulses	30-40%	30-40%	30-40%	0-13%	30-40%	30-40%	0%
Fresh Vegetables	40%	40%	40%	0-30%	40%	40%	0%
Tree Nuts	10-40%	10-40%	10-40%	0%	10-40%	10-40%	0%
Snack Foods	10-30%	10-30%	10-30%	0%	10-30%	10-30%	0%
Breakfast Cereal/Pancake Mix	20-30%	20-30%	20-30%	0-7%	20-30%	20-30%	0%
Condiments and Sauces	30%	30%	30%	0-10%	30%	30%	0%
Pet Foods	9%	9%	9%	0%	9%	9%	0%
Poultry Meat	30-40%	30-40%	30-40%	0%	30-40%	30-40%	0%
Red Meat, Fresh/Chilled/Frozen	30-50%	30-50%	30-50%	0%	30-50%	30-50%	0%
Red Meat, Processed/Prepared	30-50%	30-50%	30-50%	0%	30-50%	30-50%	0%
Wine and Beer	54-60%	54-60%	54-60%	0-60%	54%	54%	0%

Since 2006, U.S. market share for agricultural consumer-oriented products imported to Thailand declined, while many countries with FTA agreements with Thailand saw their market share expand. Product categories where the United States lost market share include dairy products, processed vegetables and pulses, fresh fruit, snack foods, condiments and sauces, breakfast cereals, and pet food. Combined together, the import value of these seven product categories totaled U.S. \$2.49 billion in 2018, accounting for 48 percent of overall agricultural consumer-oriented product imports.

The loss of U.S. market share can be better understood by taking a detailed look at these different consumer-oriented categories.

Dairy Products

Tariffs on U.S. dairy product imports range from 5 percent for some milk powder items or milk concentrates to 30 percent for products such as butter milk and yogurt. Thai tariffs for many U.S. competitors with FTAs with Thailand are much lower. Tariffs for dairy product imports from other ASEAN countries were eliminated in 2005. Tariffs from New Zealand and Australia will be eliminated in 2020 and currently average 0-4 percent.

Thailand's 2018 dairy product imports from all countries totaled U.S. \$790 million with five percent originating from the United States (Chart 5). 65 percent of imports in 2018 are supplied by Australia, New Zealand, and ASEAN countries. Chart 6 shows market share trends for dairy product imports since 2006. Over this time frame, New Zealand and ASEAN countries increased their market share at the expense of the United States and Australia. U.S. market share dropped by 2.1 percent annually over this period, declining from 9 percent in 2006 to 5 percent in 2018 (Chart 6). Market share for Australia, despite benefiting from lower tariffs through their FTA with Thailand, also declined since 2006. This may reflect that Australia has shifted their focus on producing whole milk powder products for the Chinese and Middle Eastern markets and that Australia has struggled with reoccurring multiple droughts.

Chart 5: Thai Dairy Product Imports, 2018, by Country

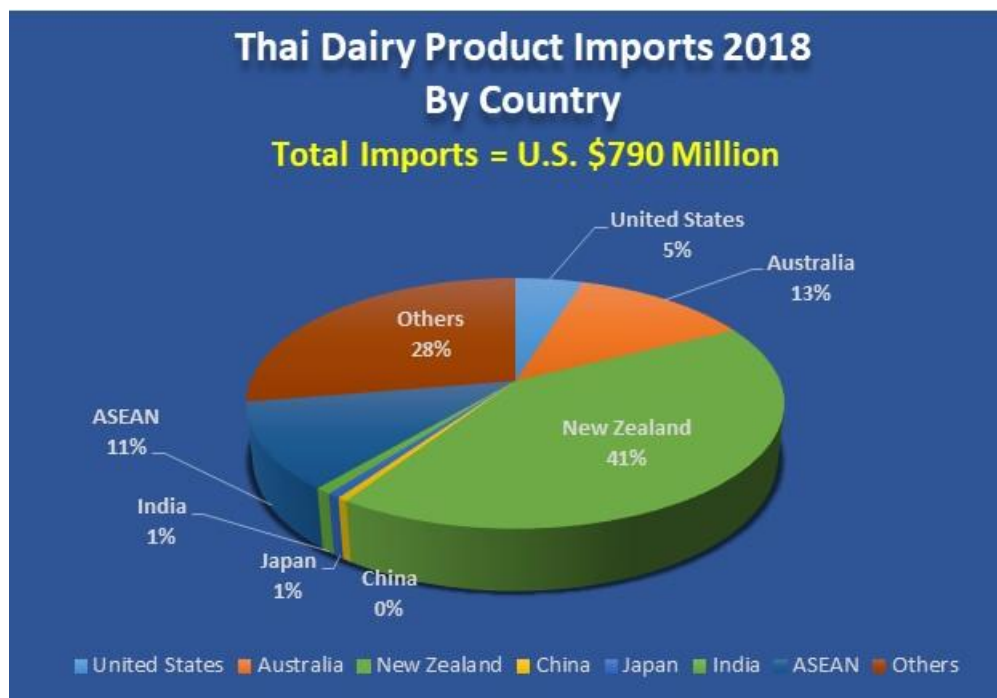
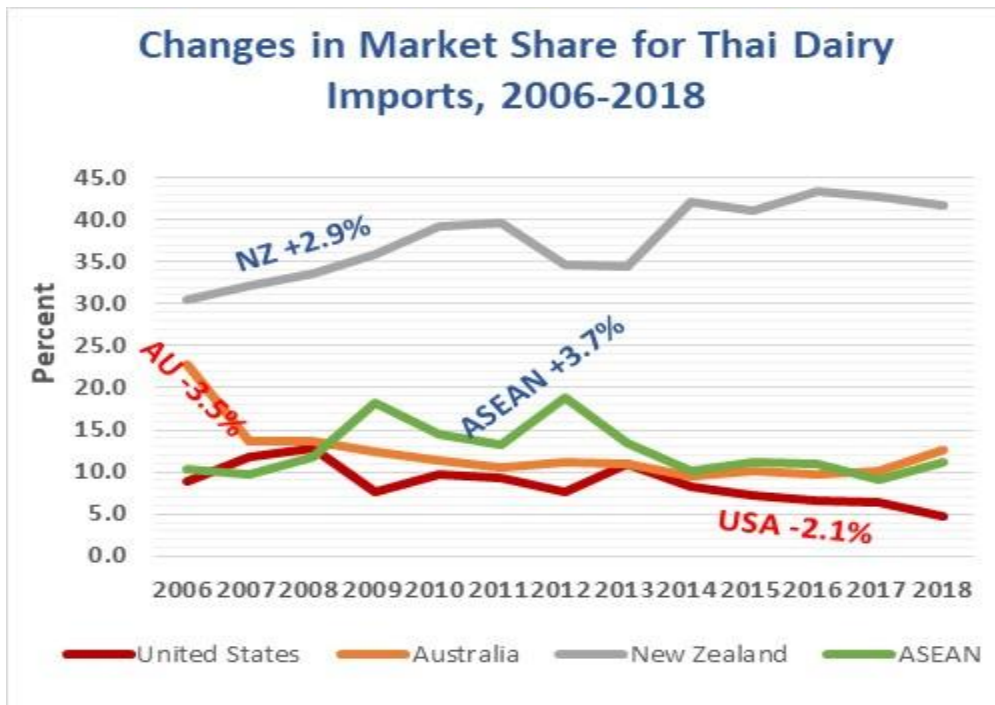


Chart 6: Changes in Market Share for Thai Dairy Product Imports, 2006-2018



Processed Vegetables and Pulses

Thailand's processed vegetable and pulse imports totaled U.S. \$679 million in 2018 with China and ASEAN countries combined accounting for 86 percent of all imports (Chart 7). Since 2006, U.S. market share has declined by an annual average of 11.2 percent dropping from 19.6 percent in 2006 to 3.6 percent in 2018 (Chart 8). Meanwhile, ASEAN market share increased sharply by an average of 35 percent per annum over the same time period. The main products that Thailand imports from ASEAN include tapioca pellet and dried vegetables.

Chart 7: Thai Imports of Processed Vegetable and Pulses, 2018, by Country

Thai Processed Vegetable and Pulse Product Imports, 2018 By Country

Total Imports = U.S. \$679 Million

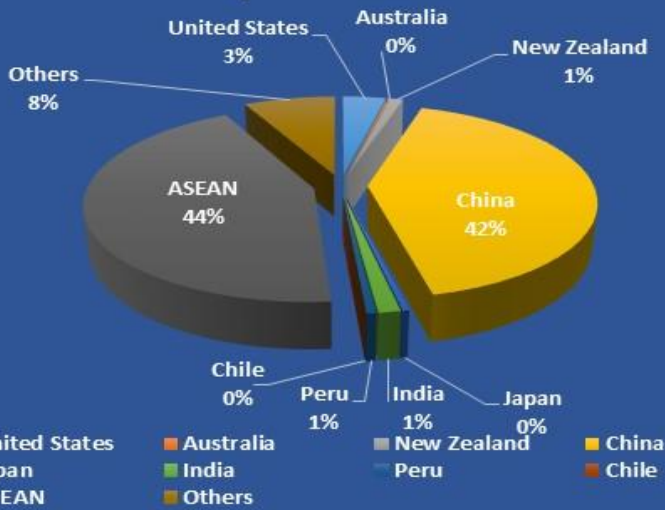
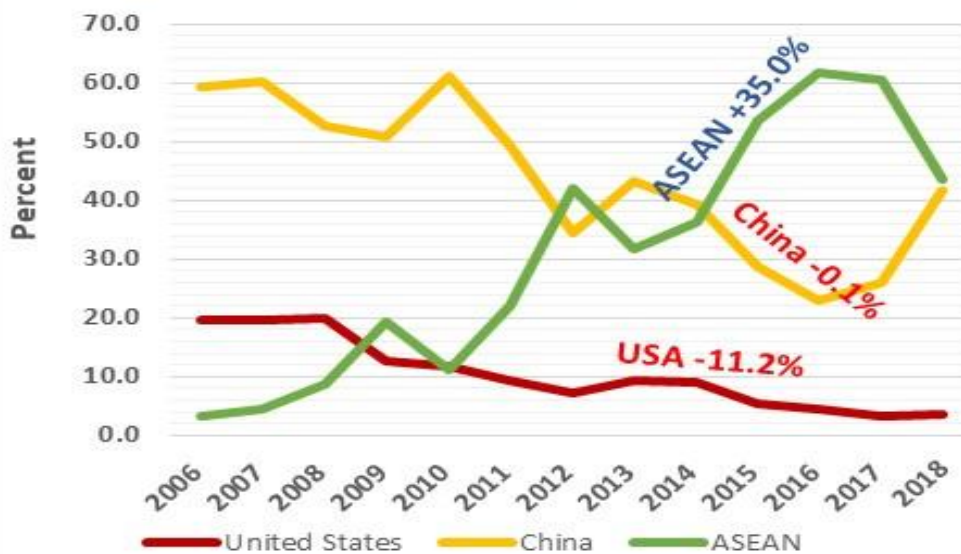


Chart 8: Changes in Market Share for Thai Processed Vegetable and Pulse Product Imports, 2006-2018

Changes in Market Share for Thai Processed Vegetable and Pulse Imports, 2006-2018



Fresh Fruit

Thailand's fresh fruit imports totaled U.S. \$587 million in 2018. China is the largest supplier of fresh fruit accounting for 62 percent of market share in 2018 (Chart 9). U.S. market share declined by an annual average of 6.7 percent between 2006 and 2018 shrinking from 14.6 percent in 2006 to 5.5 percent in 2018. U.S. market share declines were offset by gains for many countries outside ASEAN that have FTAs with Thailand (Chart 10). For example, Chile and Peru went from having minuscule market shares to accounting for a combined 6 percent of all fresh fruit imports.

Chart 9: Thai Fresh Fruit Imports, 2018, by Country

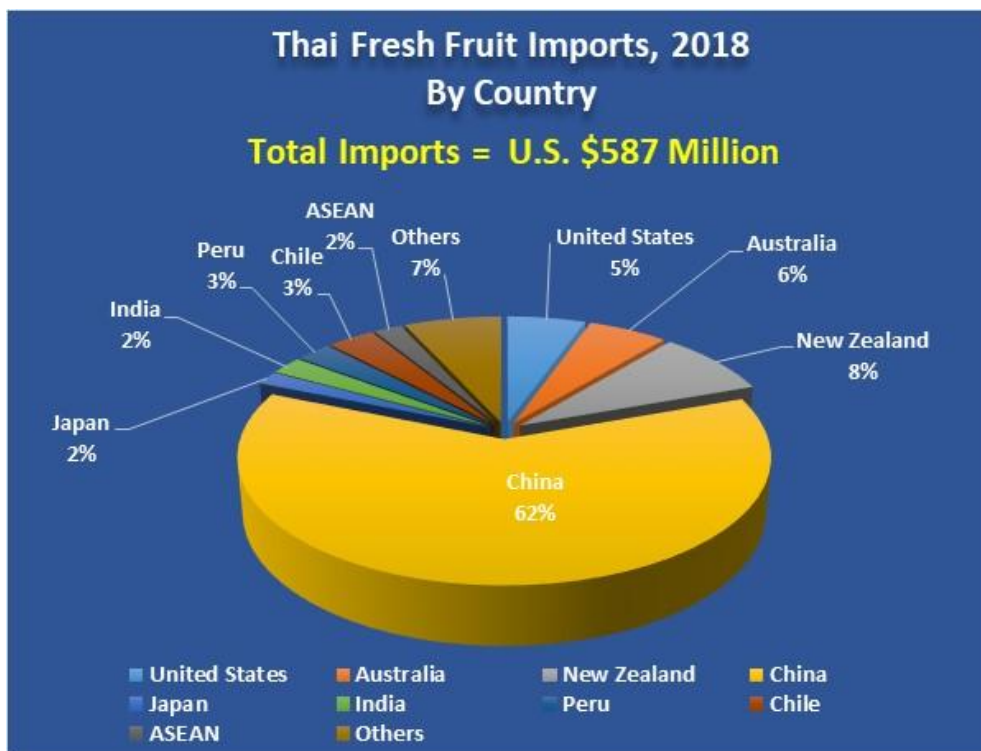
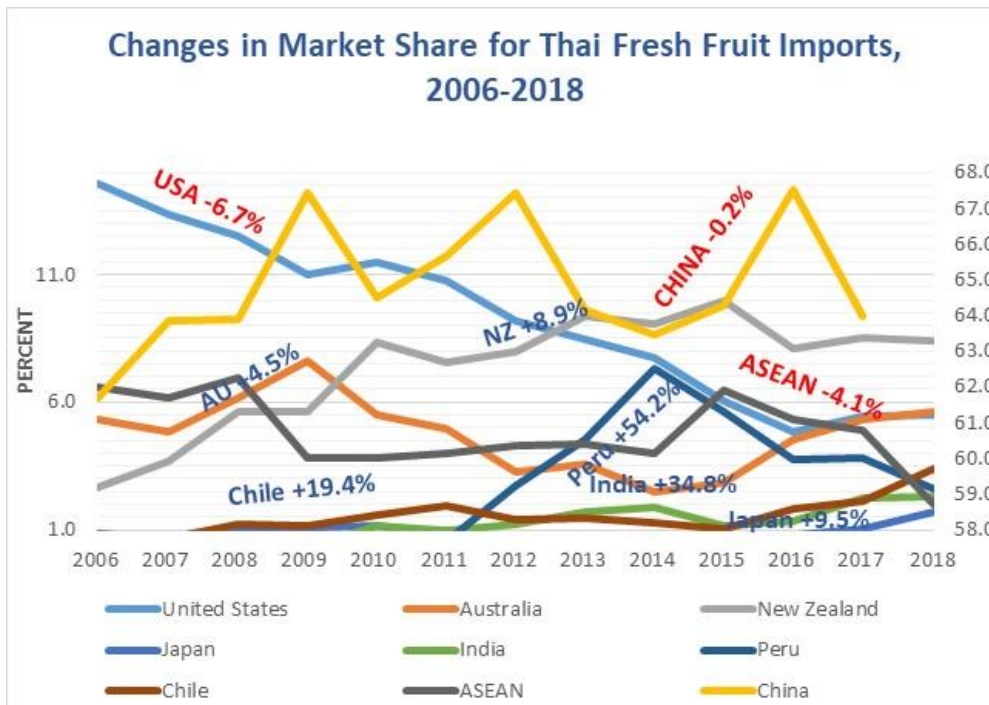


Chart 10: Changes in Market Share for Thai Fresh Fruit Imports, 2006-2018



Note: The chart line representing China's market share corresponds with the right-hand vertical value axis (percent) while the chart lines for other countries correspond with the left-hand vertical value axis (percent).

Snack Foods

Thai snack food imports totaled U.S. \$219 million in 2018. Most of these imports come from ASEAN countries accounting for 61 percent of total snack food imports (Chart 11). Between 2006 and 2018, U.S. market share shrunk from 2.1 percent to 1 percent of all imports, an average annual decline of 3.8 percent (Chart 12). Over the reference period, China's market share increased sharply from 7 percent in 2006 to 18 percent in 2018 while ASEAN market share dropped by average of 0.8 percent per annum from 69 percent in 2006 to 61 percent in 2018.

Chart 11: Thai Snack Foods Imports, 2018, by Country

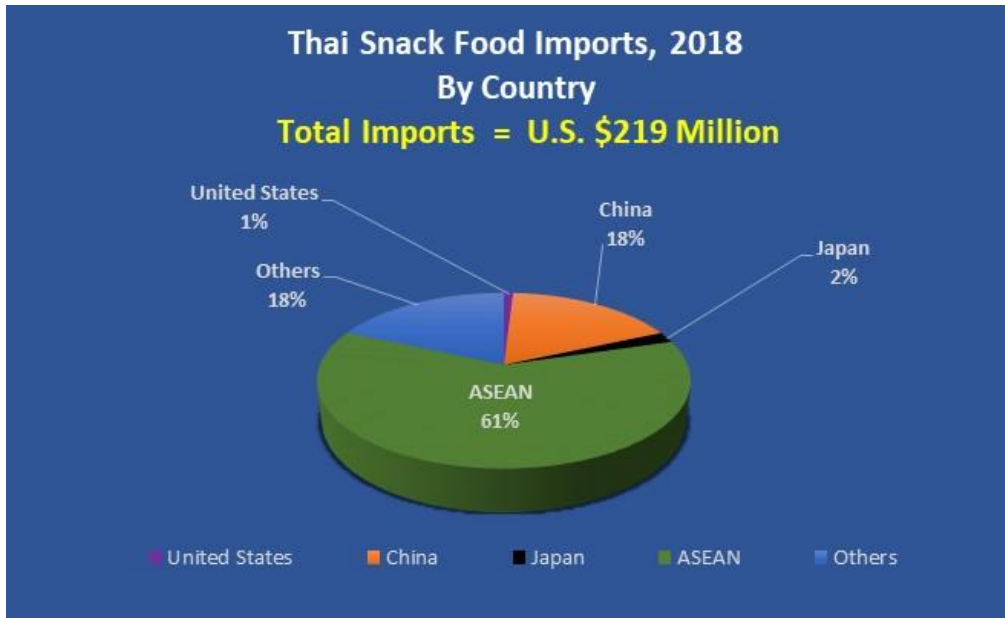
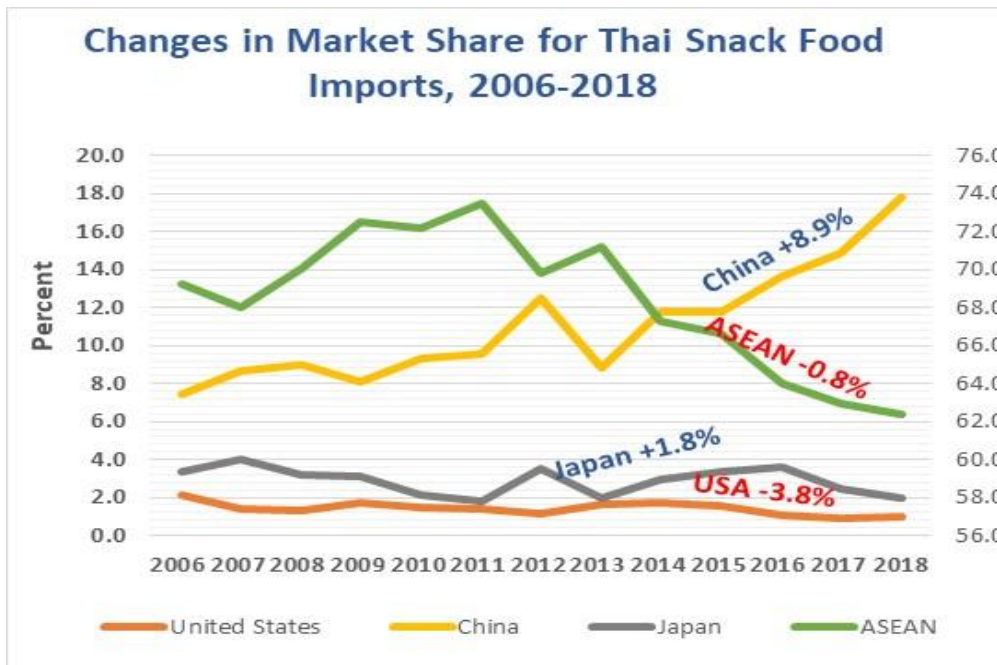


Chart 12: Changes in Market Share for Thai Snack Food Imports, 2006-2018



Note: The chart lines representing market share of ASEAN correspond with the right-hand vertical value axis (percent) while the chart lines for USA, China, and Japan do with the left-hand vertical value axis (percent).

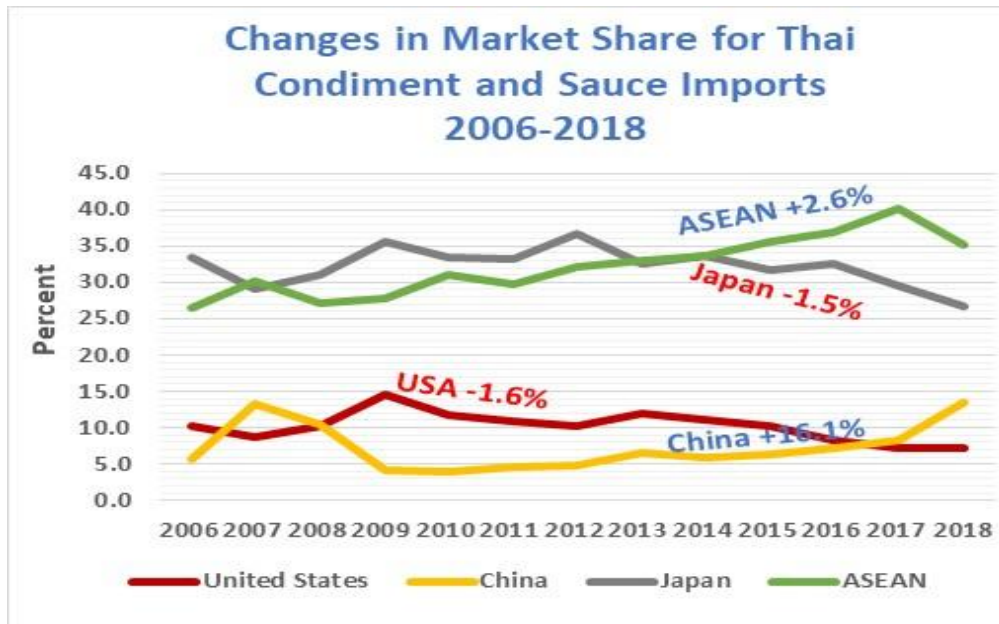
Condiments and Sauces

Thailand’s condiment and sauce imports totaled U.S. \$89 million in 2018 (Chart 13). ASEAN countries, Japan and China are major suppliers, accounting for 76 percent of total condiment and sauce imports. Between 2006-2018, U.S. market share declined by an annual average of 1.6 percent, dropping from 10.3 percent market share in 2006 to 7.1 percent in 2018 (Chart 14). Meanwhile, other ASEAN countries and China gained increased market share over this period at an annual growth rates of 2.6 percent and 16.1 percent, respectively.

Chart 13: Thai Condiment and Sauce Imports, 2018, by Country



Chart 14: Changes in Market Share for Thai Condiment and Sauce Imports, 2006-2018



Breakfast Cereals

Thailand’s breakfast cereal imports totaled U.S. \$66 million in 2018. China and ASEAN countries account for almost 71 percent all imports (Chart 15). Between 2006 and 2018, U.S. market share declined by an annual average of 1.9 percent, dropping from a 6.3 percent market share in 2006 to a 4.5 percent market share in 2018 (Chart 16). Market share for Australia and China increases by 6.2 percent and 1.3 percent per annum respectively while market share for other ASEAN countries adversely declined by 2.1 percent per annum.

Chart 15: Thai Breakfast Cereal Imports, 2018, by Country

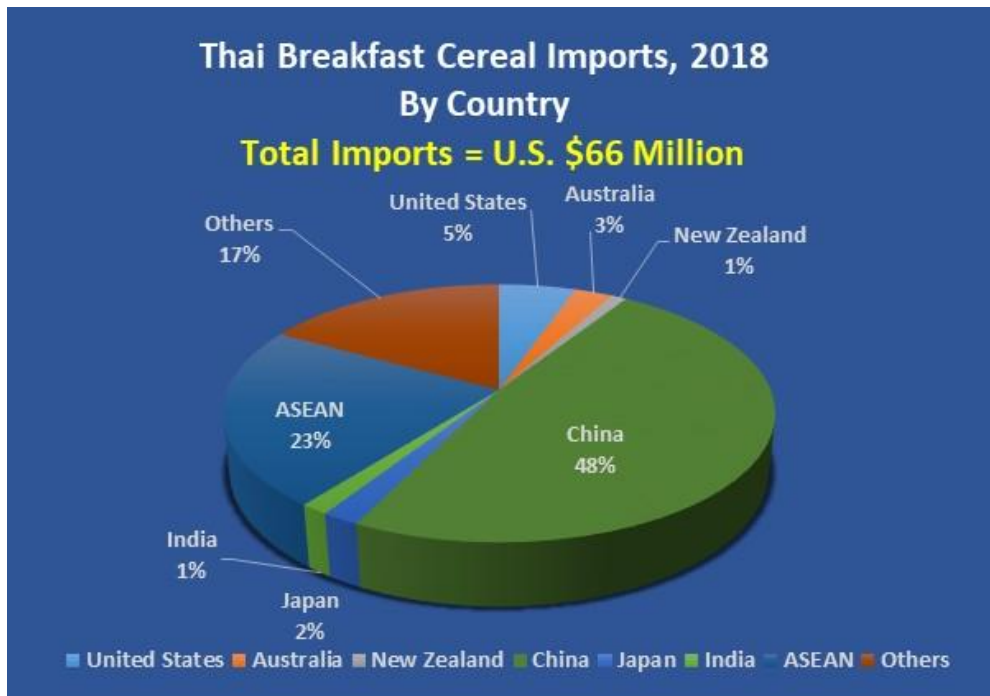
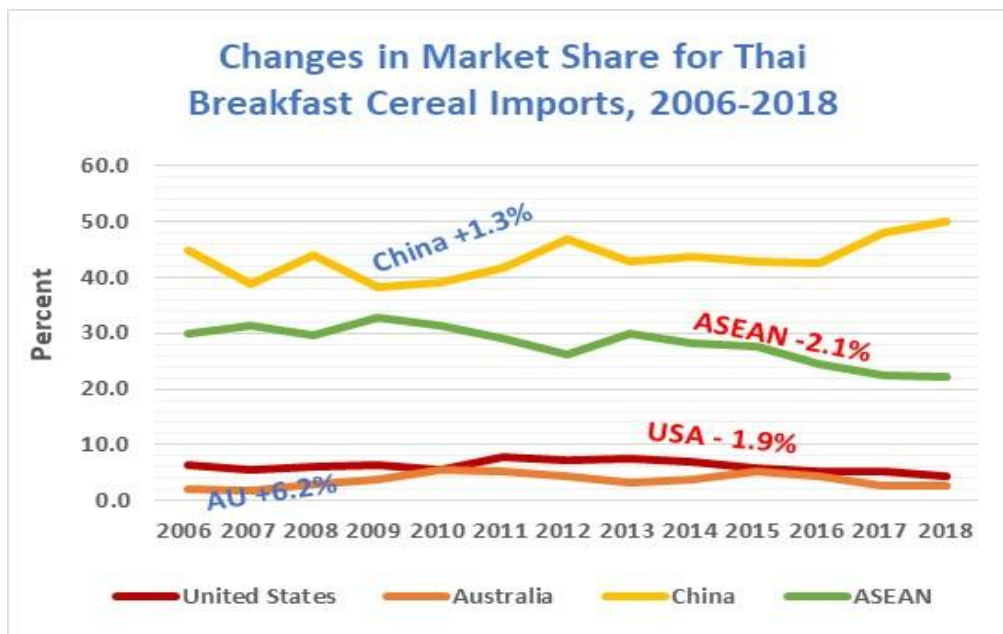


Chart 16: Changes in Market Share for Thai Breakfast Cereal Imports, 2006-2018



Pet Foods

Thailand's pet food imports totaled U.S. \$60 million in 2018 with the United States and ASEAN countries accounting for 53 percent of total imports (Chart 17). Between 2006 and 2018, U.S. market share declined by an annual average of 2.4 percent, dropping from 32.9 percent of imports in 2006 to 20 percent in 2018. The rapid gains made by ASEAN member countries during this timeframe is remarkable. ASEAN countries accounted for just 0.1 percent of all imports in 2006. By 2018, their market share had grown to 33 percent (Chart 18).

Chart 17: Thai Pet Foods Imports, 2018, by Country

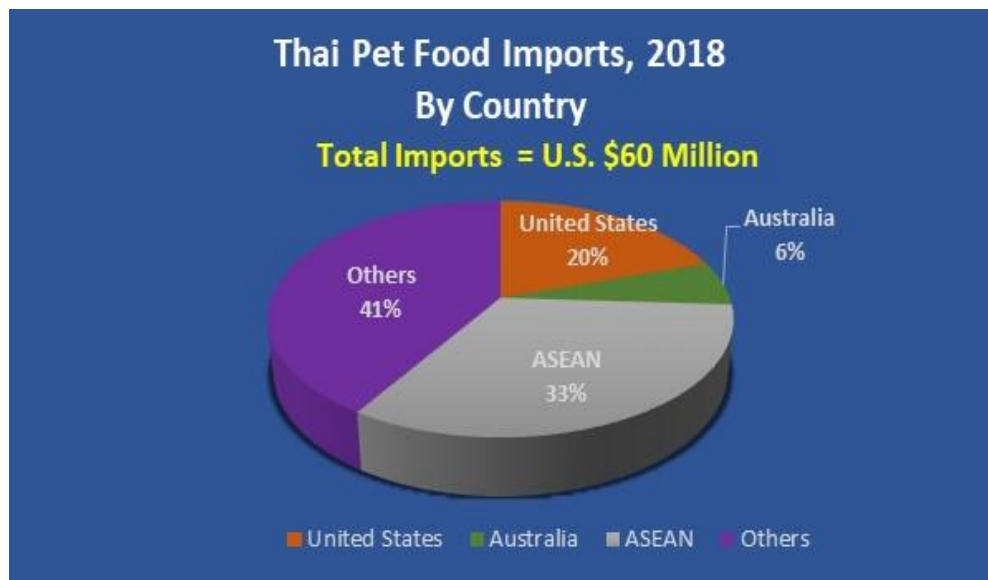
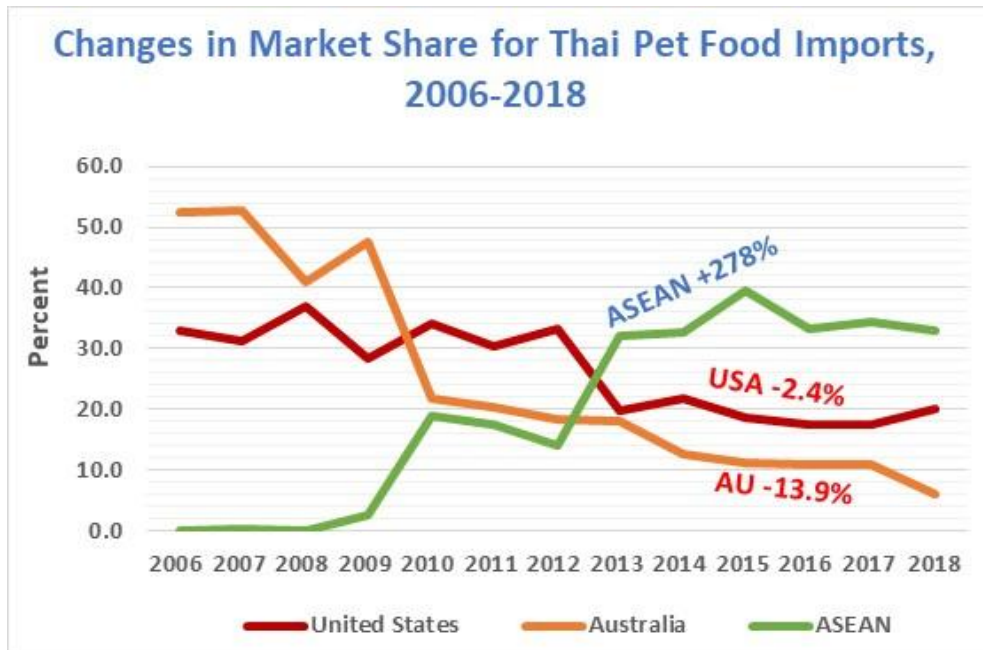


Chart 18: Changes in Market Share for Thai Pet Food Imports, 2006-2018



Analysis

The lack of an FTA between Thailand and the United States has hindered U.S. consumer oriented agricultural product exports. While it is impossible to know the exact amount, not having an FTA has reduced U.S. exports, it is possible to come up with a rough estimate. If U.S. market share for Thai consumer-oriented agricultural imports had remained constant between 2006 and 2018, then in 2018 the United States would have exported an additional U.S \$283 million of agricultural products. Considering that total Thai imports of U.S. agricultural and related products reached U.S. \$2.5 billion in 2018, this represents a potential 11 percent increase in agricultural exports. This estimate may undercount the actual trade gains of FTA agreement as it does not take into account any potential increases in market share.

Conclusion

Since 2006, Thailand’s agri-food trade profile has changed dramatically. During the past 12 years, Thailand has signed FTAs with a number of countries including ASEAN, China, Japan, Australia, New Zealand, India, Peru, and Chile, causing tariffs for many agricultural products to become lower. Other countries that already had FTAs with Thailand also saw lower tariffs during this period as their FTAs gradually came into effect. Additionally, Thai demand for agricultural imports has also increased driven in part by higher incomes, increased livestock production, and lower tariffs. These factors have caused a dramatic expansion in Thai agricultural imports. Between 2006 and 2018, total Thai ag imports grew by 9 percent per annum increasing from U.S. \$6.6 billion to U.S. \$16.7 billion.

The United States has benefited from this explosion of agricultural imports. Between 2006 and 2018,

Thai imports of U.S. agricultural exports to Thailand grew from U.S. \$0.8 billion to U.S. \$2.5 billion. However, a closer look at the U.S. export profile shows that this export growth was driven by bulk commodities, intermediate products, and ag related products. In these areas, the United States was even able to gain market share as the lack of a bilateral FTA agreement between the United States and Thailand did not hinder growth, due to overall low Thai tariffs on many products in these agricultural category groups.

However, consumer-oriented product imports present a different profile. High overall Thai tariffs for products in this category caused U.S. products to lose their competitive advantage as products from countries with FTAs with Thailand became cheaper due to the lower tariffs they received through their FTAs. This is shown through declines in U.S. market share for many consumer-oriented products between 2006 and 2018. Post estimates that if U.S. market share had remained constant for consumer-oriented products during this timeframe, U.S. exports would have increased by at least U.S. \$283 million.

Looking forward, the loss of competitiveness in this area is only likely to grow as FTA countries improve the quality of their products and processing capabilities to be close to U.S. quality. Additionally, not all tariff reductions in Thailand's FTA agreements have been fully implemented. This means that some products from countries with FTAs with Thailand will gain even greater competitive advantages in the future when the FTAs with Thailand will be in full effect in 2020. Given the significant advantages lower tariffs and preferential market access provide to free trade partners, a similar agreement between the United States and Thailand would be expected to level the playing field for U.S. exporters and the analysis suggests that such an FTA will increase U.S. market share for Thailand's agricultural imports, particularly agricultural consumer-oriented products.

End of Report.