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### **"THAI-EU FREE TRADE AGREEMENT: OPPORTUNITIES, CHALLENGES AND EXPECTATIONS"**

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Ladies and Gentlemen,

Thank you for giving BUSINESSEUROPE the opportunity to speak at this seminar.

Let me start with saying that in the absence of progress of trade liberalisation at the multilateral level, BUSINESSEUROPE wholeheartedly supports the European Commission's pursuit of deep and comprehensive, 21st century type Free Trade Agreements. It is our conviction that Free Trade Agreements can form a useful complement to multilateral trade rules and allow for addressing topics that are not or insufficiently dealt with in the WTO. However, negotiations on Free Trade Agreements are not necessarily the easy road to trade liberalisation many people believe them to be.

The EU has successfully completed the trade negotiations with Singapore end of 2012 and progress is being made with Malaysia and Vietnam. Both the EU and Thailand are also keen to further strengthen their trade and investment relationship in the future, and we are looking forward to the imminent announcement of the start of the Free Trade negotiations between EU and Thailand. We as BUSINESSEUROPE very much support the start of negotiations on an ambitious 21st century FTA with Thailand. The EU considers the FTAs with individual ASEAN countries as stepping stones towards a region-to-region agreement, which remains the long-term objective. In the meantime, we support the Commission country by country approach and we call for negotiations recognizing the levels of development of the various ASEAN countries. Smaller individual economies will only be able to optimally benefit from trade agreements with the EU if they are part of a strong, integrated economic region. In this respect, I would like to stress that it is important that Thailand continues its efforts within the ASEAN in pursuing strengthening the economic and political cooperation between the ASEAN members. The benefits from an FTA between the EU and Thailand would most likely be optimal once the ASEAN region as a whole can be regarded as a single market and when we speak about an EU-ASEAN FTA.

Free Trade Agreements create a framework for trade to take place, but their ultimate success depends on two conditions. The first one is that ambition on paper is matched by ambition in implementation. If agreements are not implemented according to the letter and the spirit, then the benefits will not follow! Secondly, even with a perfect framework, it is up to business to seize the opportunities that are offered. I know Thai business people are very entrepreneurial so I have no doubts they will use the opportunities that an agreement would provide them with.



How is trade between the EU and Thailand faring? One can note that the EU's trade relations with Thailand are growing. Thailand is – just after Singapore and Malaysia – the EU's third largest trading partner within the Association of Southeast Asian Nations (ASEAN). Thailand, being one of the most economically advanced ASEAN economies, is an attractive market for EU businesses in a variety of sectors, mainly machinery and transport equipment, chemicals and manufactured goods. And vice versa: the EU already is Thailand's second largest export destination, after China. Most strikingly, the EU has a trade deficit with Thailand of roughly 5 billion euro. However, EU exports to Thailand have increased much stronger than imports from Thailand in the period 2007-2012.

What makes a good bilateral trade agreement? BUSINESSEUROPE believes that FTAs should include the following core principles:

They should be comprehensive and commercially meaningful: A successful FTA should cover all elements of trade and investment with no product or sub-sector exclusions. However, to accommodate for increase competition, sensitive sectors may be given more time to phase out import duties. A commercially meaningful agreement reduces tariffs on goods, lowers or eliminates barriers to trade, establishes a predictable legal framework for businesses, and provides investment opportunities in the partner country.

With regards to Non-Tariff Barriers to Trade we consider that the reduction or elimination of tariffs in FTAs should go hand in hand with the reduction or elimination of non-tariff barriers (NTBs). Reduced tariffs must not be countered with new NTBs. NTBs include regulatory measures and other policy instruments that result in increased red tape and barriers to entry. FTAs should contain provisions prohibiting duty drawback and dual pricing, export taxes and restrictions regarding raw materials.

With respect to investments, a meaningful FTA should provide for a set of mandatory standards for equal treatment of foreign investments and investors by host countries. The objective should be to eliminate barriers to new and expanded investments, promote transparent and fair rules, provide greater predictability and stability to the investor and investment, and limit risk for investors.

**Trade Remedies:** Trade remedy provisions in FTAs clarify when a country can take measures to restore a level playing field in cases where a local industry is confronted with dumping, foreign subsidies and unanticipated import surges. If injury to local industry is determined, then the Government may impose anti-dumping measures, countervailing duties and/or bilateral safeguards. We support the use of trade remedies such as antidumping and safeguard measures to protect manufacturers from unfair foreign competition, where there is clear evidence of injury and all other legal conditions are met.

**Rules of Origin:** A harmonized and workable set of Rules of Origin are a vitally important aspect in the achievement of genuine market liberalization. We call for Rules of Origin that are in conformity with international standards and are clear and easy-to-use by businesses, as complex rules consume business resources, generate



unnecessary opportunity costs and hamper the efficiency of business operations, especially for the SMEs. Ideally Rules of Origin should be similar across the ASEAN region to facilitate ultimately a region-to-region agreement.

**Trade Facilitation:** We support greater transparency, efficiency and procedural uniformity of cross border transportation of goods. Trade facilitation can be referred to as “the plumbing of international trade” as it focuses on the efficient implementation of trade rules and regulations, e.g., how to efficiently implement policies or regulations, or how to efficiently exchange goods and services across national borders, and related documentation. For trade and industry the cost of compliance with such regulations and procedures may be high, even higher than the cost of tariffs paid.

**Intellectual Property:** Intellectual property Rights (IPRs) are paramount not only to innovation and trade but also generally to the competitiveness of an industry. IPRs are especially relevant for highly regulated industries, which often must supply confidential business information to government authorities in order to comply with regulatory requirements. FTAs should ensure that such proprietary information is adequately safeguarded from unauthorized disclosure by authorities. Furthermore, the undertakings in the FTA should help to prevent counterfeiting activities in the market. In addition, FTAs should reinforce and develop existing WTO Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) rights and obligations to ensure an effective and balanced approach to IP rights among its trading partners.

Ladies and gentlemen,

Trade agreements create the environment for trade to take place. FTAs are not a miracle solution for the development of trade relations. It takes time to reap the full benefits. Experience with other FTAs is that there usually is no watershed in trade between the partners from entry into force. Rather we see a gradual growth of exports AND imports, allowing each partner to play their competitive advantages. This is at least the experience of my own industry, the chemical sector. But again, it is really up to business to seize the opportunities that are provided by the authorities. Able business people will seize these opportunities and grow their business. But openness to trade also means exposure to increased competition. Vulnerable sectors should be given time to adapt to the changed environment. For some sectors increased competition may mean such a challenge that they don't survive. But would such businesses anyway survive long-term in a globalised world.

But let such problems - however important they are for the operators concerned and which certainly need to be solved – not detract from the essentials. An FTA between the EU and Thailand will be beneficial for both Thailand and the EU. It will create win-win situations for both economies. Our wish as BUSINESSEUROPE is that negotiations result in a good trade agreement for both and that along with other recently concluded EU trade agreements it becomes a beacon of light at times when protectionism is looming and the multilateral trade agenda is blocked. BUSINESSEUROPE calls on both the EU and Thailand to forge a deal that is a shining example in the pursuit of further trade liberalisation.

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