

International Confederation of European Beet Growers

CONFEDERATION INTERNATIONALE
DES BETTERAIVIERS EUROPEENS



INTERNATIONALE VEREINIGUNG
EUROPÄISCHER RÜBENANBAUER

CONFEDERAZIONE
INTERNAZIONALE
DEI BIETICOLTORI EUROPEI

111/9 Boulevard Anspachlaan
B-1000 Brussels
Tel: +32 2 504 60 90 – Fax: +32 2 504 60 99
cibeoffice@cibe-europe.eu
www.cibe-europe.eu

MIĘDZYNARODOWA KONFEDERACJA
EUROPEJSKICH PLANTATORÓW
BURAKA

CIBE Working Document
Answer to the public consultation on the FTA with Thailand

D069-2013

INTRODUCTION

The European Commission launched a public consultation on the opportunities and threats of an Free Trade Agreement with Thailand. CIBE decided to answer some of the question proposed by the commission. Here below the result of our work. Please fill free to use these answer to answer the consultation and strenght our message. Consultation deadline is 13/05/2013, you can find the complete questionnaire at this [link](#) and download the questionnaire [here](#).

ANSWERS

1. What are the existing trade flows in your sector(s)?

Thailand has become in the last 3 years the second main actor in the sugar world market; it is the fifth world sugar producer, the second cane sugar producer (10.94 metric tonnes raw sugar value in 2011) and the second exporter (6.99 mtrsv). Looking at the trade flows with the EU (based on the EUROSTAT database), in 2011/2012 campaign (October 2011 – September 2012) Thailand has exported a total of 29.132 tonnes of sugar (raw value). The main recipients of the shippings have been France along with Italy, Netherlands, Greece and Great Britain. White sugar represents around 98% of total imports. The tables and graph in next page summarize the situation.

Table 1: Imports of raw sugar from Thailand to EU Period 2006- 2012 - trv

	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GB	GR	HU
2006/2007	-	-	-	-	-	-	228,1	-	-	-	-	0	-	-
2007/2008	-	-	-	-	-	405	581,7	-	-	-	-	0	-	-
2008/2009	-	-	-	-	-	-	128	-	-	-	-	85	-	-
2009/2010	-	-	-	-	-	335	250,2	-	-	-	-	-	-	-
2010/2011	-	-	-	-	-	-	-	-	-	-	-	4294,6	-	-
2011/2012	-	-	-	-	-	140,8	40	-	110	-	-	-	-	-

	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	Total
2006/2007	-	-	-	-	-	-	119,6	-	-	-	2,7	-	-	350,4
2007/2008	-	-	-	-	-	-	95,6	-	-	-	4,9	-	-	1087,2
2008/2009	-	-	-	-	-	-	8,6	-	-	-	-	-	-	221,6
2009/2010	-	-	-	-	-	-	8,4	-	-	-	5,8	-	-	599,4
2010/2011	-	158,5	-	-	-	-	5,8	-	-	-	3,6	-	-	4462,5
2011/2012	-	85,5	-	-	-	-	5	-	-	-	2,8	-	-	384,1

Table 2: Imports of white sugar from Thailand to EU Period 2006/2012 - trv

	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GB	GR	HU
2006/2007	-	8,80	-	-	-	229,89	0,33	-	390,00	0,33	827,72	20,87	39,13	-
2007/2008	-	8,70	-	0,22	-	3.186,20	326,96	-	124,46	0,22	1.364,89	143,59	0,00	-
2008/2009	-	2,50	-	-	-	2.031,30	0,43	-	3.438,15	0,22	1.757,83	20,54	52,72	-
2009/2010	0,43	22,39	-	-	-	573,59	0,33	-	2.958,91	0,00	1.465,76	22,39	0,43	-
2010/2011	-	1.128,70	543,48	-	-	2.326,41	2,07	-	187,83	0,43	3.546,20	29,24	652,17	-
2011/2012	-	2.510,76	-	-	-	1.005,22	1,20	-	790,76	0,22	12.386,09	1.095,43	217,50	-

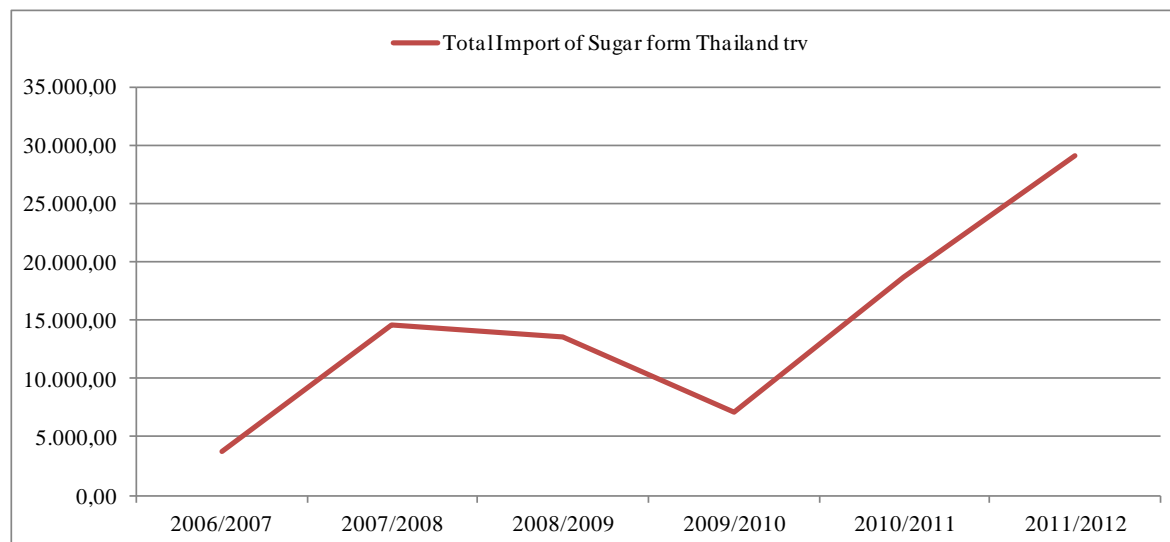
	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	Total
2006/2007	3,70	96,09	-	-	-	-	959,89	869,13	-	-	0,00	-	-	3.445,87
2007/2008	11,30	497,28	-	-	-	-	1.324,13	3.804,35	-	-	2.760,87	-	-	13.553,15
2008/2009	16,09	1.356,30	-	-	-	-	989,78	3.532,61	153,26	-	4,35	-	-	13.356,09
2009/2010	22,93	730,00	-	-	-	-	703,26	0,00	-	-	0,00	-	-	6.500,43
2010/2011	19,02	1.156,52	-	-	-	0,11	2.599,67	951,09	-	1.086,96	0,22	-	-	14.230,11
2011/2012	14,57	1.182,72	-	-	-	5.630,76	2.893,70	1.007,07	-	-	12,07	-	-	28.748,04

Table 3: Total Imports of sugar from Thailand to EU Period 2006/2012 - trv

	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GB	GR	HU
2006/2007	-	8,80	-	-	-	229,89	228,43	-	390,00	0,33	827,72	20,87	39,13	-
2007/2008	-	8,70	-	0,22	-	3.591,20	908,66	-	124,46	0,22	1.364,89	143,59	0,00	-
2008/2009	-	2,50	-	-	-	2.031,30	128,43	-	3.438,15	0,22	1.757,83	105,54	52,72	-
2009/2010	0,43	22,39	-	-	-	908,59	250,53	-	2.958,91	-	1.465,76	22,39	0,43	-
2010/2011	-	1.128,70	543,48	-	-	2.326,41	2,07	-	187,83	0,43	3.546,20	4.323,84	652,17	-
2011/2012	-	2.510,76	-	-	-	1.146,02	41,20	-	900,76	0,22	12.386,09	1.095,43	217,50	-

	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	Total
2006/2007	3,70	96,09	-	-	-	-	1.079,49	869,13	-	-	2,70	-	-	3.796,27
2007/2008	11,30	497,28	-	-	-	-	1.419,73	3.804,35	-	-	2.765,77	-	-	14.640,35
2008/2009	16,09	1.356,30	-	-	-	-	998,38	3.532,61	153,26	-	4,35	-	-	13.577,69
2009/2010	22,93	730,00	-	-	-	-	711,66	-	-	-	5,80	-	-	7.099,83
2010/2011	19,02	1.315,02	-	-	-	0,11	2.605,47	951,09	-	1.086,96	3,82	-	-	18.692,61
2011/2012	14,57	1.268,22	-	-	-	5.630,76	2.898,70	1.007,07	-	-	14,87	-	-	29.132,14

Graph 1: Total Import of Sugar from Thailand period 2006 - 2012 - trv



In addition to the trade flows reported above, it is necessary to consider the role of Thailand sugar industry as an investor in sugar production of neighbouring LDCs countries such as Laos, Bangladesh and Myanmar. The limited land available in Thailand pushed several groups to invest in the region in order to exploit higher price under the EBA agreement. More specifically: Mitrphol group invested in Laos in 2007, KSL group invested in Laos and in Cambodia in 2009. We do not have access to the details of such investments and we ask the Commission to have a close look at them in order to understand the real situation and prevent that the EBA initiative will not benefit the real target country but increase the domination of a few Thai companies in the region.

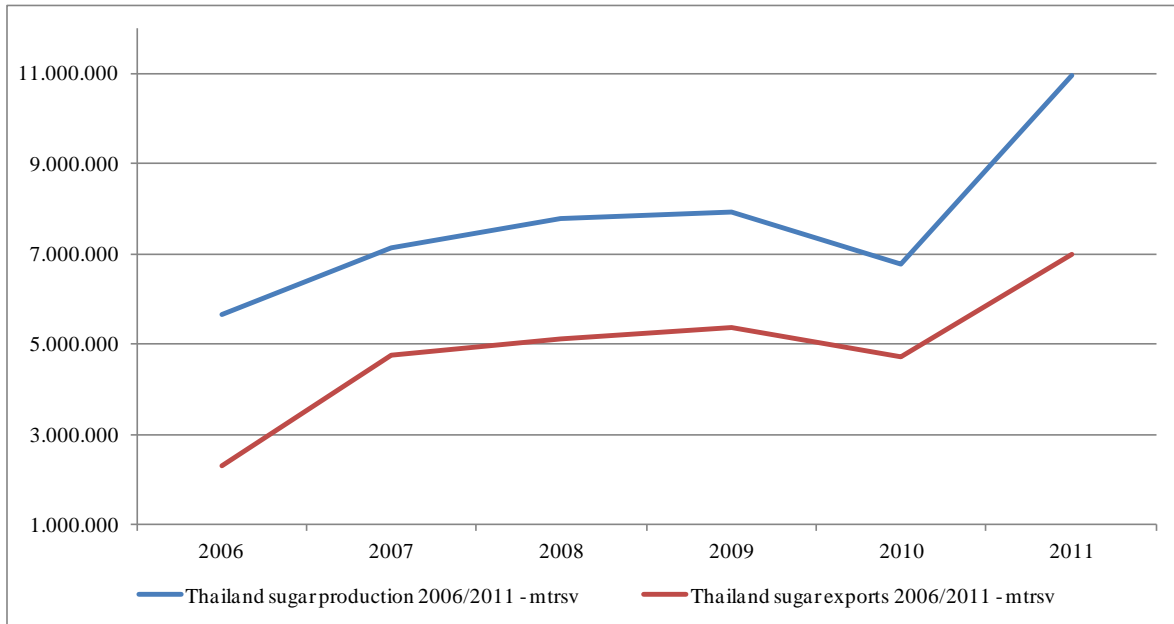
Finally, in the coming years trade flows will be certainly affected by the entering into force of the ASEAN Economic Community (AEC). Thailand plays a dominant role in sugar industry among AEC's members. We are expecting Thailand to benefit from free trade of sugar and its by-products

in the area and we ask the EU to monitor closely the situation to avoid possible circumvention of tariffs and of rules of origin that the Thai industry might also exploit.

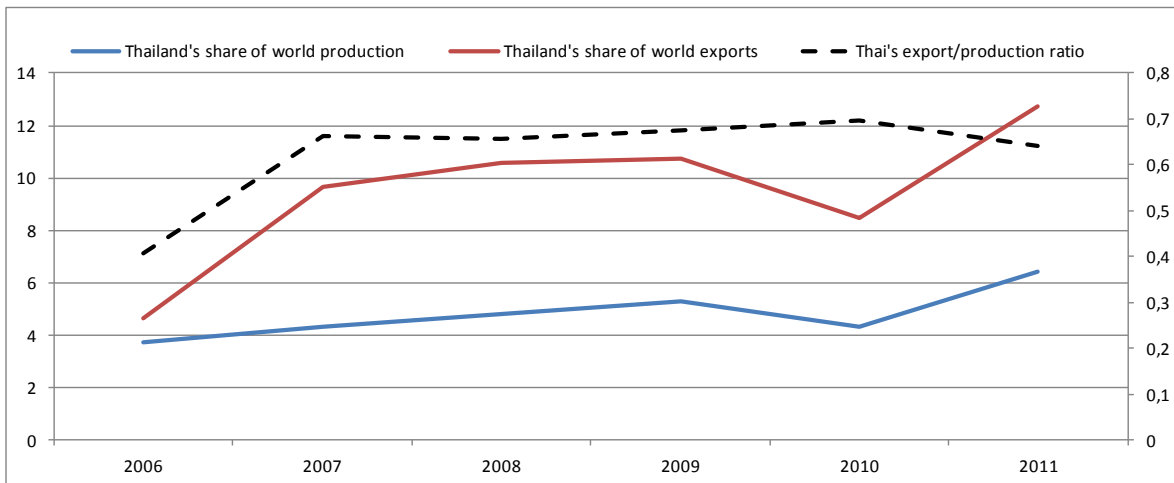
2. What is your assessment of the potential for growth in this sector(s)?

In recent years Thailand has constantly increased its weight in the sugar market, both in term of production and exports. It became the second largest exporter of sugar worldwide and one of the most important exporters of white sugar to the EU market. Graph 2 shows Thailand's production and exports in the period from 2006 to 2011. These data clearly show the expansion of the Thai sugar industry. In 2011, Thai production represented 6.39% (+3% in 5 years) of world production and 12.73% (+8%) of the total sugar exported, and exports to production ratio have increased reaching 63.96% of production exported in 2011 from just above 40% in 2006. Those data are summarized in Graph 3.

Graph 2: Thailand Production and exports period 2006/2011 – mtrsv (source ISO)



Graph 3: Thailand's share of world production and world exports – (own elaboration on ISO data)



The expansion and dynamism of the Thai industry took place under a favourable cane sugar sector policy which is highly regulated and controlled by the government through the Cane and Sugar Board. The sugar policy in Thailand resembles the one the EU had in place before the 2006 reform. The three main features of the Cane Sugar Act (1984) are:

1. The determination of the annual export quota by the Cane and Sugar Board, by deducting annual consumption from total production. However, as exports are measured in calendar years (January-December) while production is by crop year (October - September) there is usually a difference between the export quota and actual shipment volumes.
2. The revenue sharing system (70% growers /30% industry).

3. The Cane and Sugar Board divides annual sugar output into 3 quotas, namely quota A for domestic sales, quota B for exports under industry's long term contracts and quota C for exports under the individual export contracts.

The regulatory framework contained in the Cane Sugar Act of 1984 is geared for exports and only allows exports of an annual surplus of production over domestic requirement. Hence, the export availability depends on how fast and by how much output exceeds consumption. Finally, the Thai sugar policy regulates cane payment, domestic sales at a fixed price and exports (but without any limit fixed at WTO).

In this context, the expansive and aggressive nature of the Thai sugar industry represents a serious threat to the EU sugar beet production and sugar sector in general. A complete opening of the EU to sugar exports from Thailand will jeopardize the restructuring process that the EU sugar industry has undergone with the 2006 sugar CMO reform. The gain in productivity and efficiency that the sector has realized with the 2006 reform will be lost and an even further reduction of sugar beet surface will take place. A significant number of growers will reorient their production towards other alternative crops (mainly -cereals) causing a difficulty for the industry to supply the internal EU market. Moreover, the reorientation in crop production will increase monoculture, reducing the number of crops to be inserted in farm rotations, causing not only a reduction of economically viable options for farmers, but also aggravating the impact of agriculture on the environment.

Finally, the increase in Thai exports to the EU market will also constitute a threat to the ACP/LDCs countries that will inevitably see their preferences eroded.

3. Could you specify your overall "offensive" and "defensive" interests?

Offensive interest: to condemn Thailand's exports as cross-subsidized: In our view, the EU has an offensive interest as far as the sugar policy in Thailand is concerned. The system in place now looks very much like the pre- reform sugar situation in Europe. Since the conditions in Thailand are really similar to the former EU regime, a citation of the Thai regime against WTO rules because of cross-subsidizing its exports could be envisaged.

Defensive interest: Sugar and Ethanol

4. In your sector, do you see either:

a) an interest in EU companies supplying goods to Thailand (i.e., an export interest)?

As pointed out in the response to question 2, the sugar policy in Thailand provides a high level of protection for the sector. The quota system allocates fixed sugar quantities to the internal market and to exports. Internal prices are strictly regulated by the Sugar Cane Commission and investments (foreign or international) in the sector are subject to a Government licensing system to build new sugar mills. Alongside with policy aspects, there are other barriers that prevent the accession to the market. More specifically, we refer to the concentration of the industry and the progressive formation of big companies that are leading the Thai sugar industry towards a de-facto oligopoly situation. Finally, acquisitions and foreign investments are also difficult for historical and cultural reasons which consider the loss of a family owned business as a personal failure and source of shame and that constitute non-tariff barriers..

b) an interest in importing?

As stated in the response to question 2, any increase of imports of sugar from Thailand is potentially harmful for the EU beet sugar sector. The risk is related to the disruption of the equilibrium in which the sugar industry is operating and where investments have been made. More specifically, imports from Thailand will inevitably reduce internal production and destabilize the EU market in terms of price level. In such a context, not only the investment made by the EU sugar industry to increase productivity and efficiency will be lost, but also future investment will be prevented.

c) an interest in EU companies setting up production facilities in Thailand?

The sugar policy in Thailand provides a high level of protection to the sector. The quota system allocates fixed sugar quantities to the internal market and to exports. Internal feedstock prices are strictly regulated by the Sugar Cane Commission and foreign investment in the sector is subject to a Government licensing system to build new sugar mills. Alongside with policy aspects, there are other barriers which prevent the accession to the market. More specifically we refer to the concentration of the industry and the progressive formation of big companies that are leading the

Thai sugar industry towards a de-facto oligopoly situation. Finally, acquisitions and foreign investments are also difficult for historical and cultural reasons which consider the loss of a family owned business as a personal failure and source of shame..

5. Do you have an interest in exporting or importing "green goods", i.e. goods are considered to be environmentally and climate change friendly?

The EU is a net importer of ethanol and therefore a defensive position is needed towards ethanol and other biofuels imports. Any concession towards the liberalization of the sector will result in a reduction of the EU ethanol production and increase EU dependency on external supply of biofuels. Thailand in recent years has been increasing its production capacity and number of ethanol plants. The industry is clearly investing and preparing to be a net exporter of ethanol in the coming years. In 2012, the government launched the new 10-year Alternative Energy Development Plan (2012-2021) which is set to increase ethanol consumption to 9.0 ml/day by 2021, unchanged from the old 15-yr plan (2008-2022) which has fallen short of achieving its short-term target of 3.0 million liter/day as actual ethanol production is only 1.43 million liters/day in 2011. Also, ethanol producers face a surplus of around 40-50 million liters/day as actual ethanol consumption has been stable at around 1.0 – 1.1 million liters/day since 2009 due to a government decision to reverse its formerly planned policy of mandating compulsory use of gasoline/ethanol mixes.

Table 4: Overview of the Thai sector

	2006	2007	2008	2009	2010	2011	2012 (E)	2013 (F)
Production	135	192	336	401	426	520	695	785
Import	0	0	0	0	0	0	0	0
Export	0	14,9	65,8	15,6	48,2	139,3	300	350
Consumption	116	159	309	390	372	370	410	450
Ending Stocks	67,8	85,9	47,6	42,4	47,6	57,5	41,6	26,4
Capacity	0,78	0,96	0,96	1,7	2,9	2,9	4,8	6,2
Number of Plants	5	7	11	11	19	19	24	-

Source USDA - ISO

Table 4 clearly shows the evolution of the ethanol industry in Thailand and how it is structuring to gain an important role as an exporter on the world market.

6. Is there any element in a FTA between Thailand (or ASEAN) and a third country that harms your competitive position?

Thailand will benefit from tariff reduction/elimination in the coming years. This will allow the Thai sugar industry to further invest in a favourable context of increasing local and regional demand. Moreover, the sugar industry already operates in a heavily favourable policy setting due to the presence of sugar quotas.

7. How would you assess for your sector the relative importance of Thailand (in terms of production capacity, comparative advantage, potential etc.) among the countries of the South-East Asian region?

As far as sugar is concerned, Thailand is without any doubt the biggest exporter and the country that will gain the most from an FTA with Europe which would include sugar trade liberalization. The role of Thai sugar industry in the area is really important and Thai companies, due to the limited arable land available in their country, have found new opportunities abroad, investing heavily in the sugar production in Laos and Myanmar. The European Union should be really cautious on this point. The objective of the Thai industry is to exploit the opportunity of exporting sugar from Laos and Cambodia to the EU through EBA, GSP and GSP+ initiative; this will cause an unbalanced situation in which the real benefit of the trade expansion will be drained by Thai companies and will not remain in the country of origin of the sugar.

Moreover, the EU should carefully consider the role of Thailand in the forthcoming entering into force of the ASEAN trade agreement. The ASEAN agreement foresees the elimination of tariff barriers amongst the participating countries. In this context, Thailand could exploit the opportunity to circumvent rules of origin on sugar and increase its exports via ASEAN partners.

A. Questions related to rules of origin

8. What preferential rules of origin should apply in the sector(s) of your interest in any agreement with Thailand, standard or new rules based on the reform of GSP? (if relevant, please indicate the maximum level of non-originating materials that you could accept – or prefer).

1 – Refining must imperatively not confer the origin

2 – Clear rules for cumulation, perhaps stricter than what GSP foresees

3 – Strict rules on the non-originating materials, reducing the percentage allowed to a minimum

9. Would your industry need specific flexibility to source abroad, including from other ASEAN Member States? If yes, from which ASEAN country? Could your industry indicate sensitivities as regards possible cumulation by Thailand of materials or products from other ASEAN countries?

Thai industry should not benefit of any concession as regards to cumulation. The EU should be particularly attentive to control possible circumvention of the rules of origin on cumulation. Thailand, as stated in the response to question 7, is a leader in the area as far as sugar is concerned and the EU should negotiate to prevent that Thailand's leadership will be even further increased at the expenses of countries more in need of preferential access, such as Cambodia and Laos.

B. Questions related to duties, import restrictions and prohibitions

Does your sector face import restrictions or prohibitions in Thailand? If so, please specify the type of import restrictions (import duty, combined with additional or specific duties, tariff rate quota, import licensing, import prohibition etc.) Please specify the likely effect of their elimination.

The level of the existing sugar tariff in Thailand is approximately 94 €/t, therefore a tariff elimination will not modify in any way trade flows from the EU to Thailand.

10. Does your sector face export restrictions or investment restrictions with respect to Thailand? If so, please specify the type of export restrictions (export duty; tariff rate quota, VAT rebate schemes; licensing; discriminatory promotion schemes)? Please specify the likely effect of their elimination.

Outside preferential agreements, the current tariffs are 339 EUR/t on imported raw sugar and 419 EUR/t on imported white sugar. The elimination of such tariffs will impact negatively the EU sugar sector and erode the granted preferences to other trade partners

A. Competition, State Aid/Subsidies and State-Owned Enterprises

75. Have you encountered any anti-competitive practices in Thailand (cartels, abuse of dominant position, vertical or horizontal restrictions of competition, anti-competitive mergers & acquisitions) that are harming your business? If so, describe briefly the nature of the practices and the problems encountered.

The Thai sugar industry is composed of family owned mills that, for cultural and historical reasons, are linked by a strong bond. This situation is reflected by a low level of acquisition and fusion of sugar companies and promotes protectionist behaviours of the owners who help each other in times of bad economy, de-facto preventing the opening of the market. Moreover, the Thai sugar policy provides a high level of protection to the industry through quotas both for the internal market and exports. In this context, it is possible that certain specific behaviours are not in line with the principle of market competition. In such a context, we ask the Commission to examine the Thai situation in depth. It would be an unforgivable mistake to open the EU market to a partner that does not apply the same principles that are valid for investors and producers on the EU market. The Thai sugar industry would benefit from an unfair competitive advantage towards EU producers. An opening of the EU market in such condition would be detrimental for the interests of the European sugar beet growers and for the sugar industry.