

Trade Digest

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ASEAN–China FTA Cuts Tariffs on 400 More Items

As a part of the continuing stages of the ASEAN-China Free Trade Agreement (FTA), import tariffs on around 400 items traded between ASEAN and China have now been cut down to 0-5%, starting from January 1, 2018. The pact is expected to help double the trade value between the two partners to US\$1 trillion by 2020.

According to Ms. Chutima Bunyapraphasara, Deputy Minister of Commerce, most of the goods on which import tariffs have recently been cut are agriculture products and various other major products that had been previously protected with high import tariffs for many years with the aim of helping to protect local farmers from the effects of significant increases in imports under the FTA. Goods that saw the tariff cut to 0-5% include wheat, fruit juice, tires, polyester, toys, chillers and electrical equipment, among others.

Currently, Thailand is one of the main importers of electrical machinery and equipment, with the import value standing at almost \$40 million in 2016. The reduction of the electrical equipment import tariff rate from 10-20% to 5% will mean a huge benefit for Thai importers and consumers. However, domestic competitors will face intensified competition.

ASEAN and China began negotiations on an FTA in 2002, reached an agreement in 2004, and brought the agreement into effect on January 1, 2010. Presently, import tariffs on around 90% of total goods, or 8,600 items, have already been cut to 0-5%. The FTA pushed the trade value between the two sides from \$65.8 billion in 2006 to \$450 billion in 2016, with this figure expected to rise to \$1 trillion by 2020.

Digital Park Thailand Launched

The Thailand Board of Investment (BOI) announced the launch of Digital Park Thailand, a destination for digital business leaders, innovators, and nomads, after the environment impact analysis in December 2017. Digital Park Thailand is strategically located in the Eastern Economic Corridor (EEC), a project intended as a special investment zone to promote value-added and high-tech industries. Expected to serve as a showcase and incubator for digital businesses in the ASEAN region, Digital Park Thailand is a new digital hub for tech titans and business innovators looking to expand operations to Thailand and the ASEAN region and enjoy the special incentives the country offers.

The BOI has announced additional incentives to attract companies to establish operations in the EEC, offering an extra two years of corporate tax exemption (up to a total 10 years of exemption), and a 50% reduction for an additional two years thereafter. Digital Park Thailand is also offering non-monetary incentives including the opportunity to co-partner with local companies and global players to catalyze digital innovation, cross border privileges for digital specialists, and the ability for startups to connect with existing industry sectors. In addition, the Ministry of Digital Economy and Society has been cooperating with the EEC Office and CAT Telecom to attract interest and induce potential foreign investors, especially from digital businesses.

Digital Park Thailand will comprise a Regional IoT Institute which will serve as an IoT Design Center and Innovation Testbed, and a Digital Service Hub which will complement the digital fulfillment processes environment and physical logistics capacities of the park via rail and roadways connecting the region with Cambodia, Laos, Myanmar and Vietnam. To ensure success for digital businesses in the Southeast Asia region, Digital Park Thailand will also offer strong internet connectivity, digital capabilities and sound infrastructure to make it an excellent location for business leaders looking to relocate their digital businesses within ASEAN.

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If you have any comments or questions regarding Trade Digest or any matters discussed herein, or if you are interested in finding out more about Bolliger & Company (Thailand) services, please contact any of the persons below:

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