

POSITION ON THE RESUMPTION OF NEGOTIATIONS FOR AN EU-THAILAND FREE TRADE AGREEMENT

THE EU STARCH SECTOR'S CONCERNS REGARDING THE CURRENT NEGOTIATIONS AND POTENTIAL TARIFF CONCESSIONS

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I POSITION ON THE RESUMPTION OF NEGOTIATIONS FOR AN EU-THAILAND FTA

As the EU continues to create closer trade ties with countries of the Association of Southeast Asian Countries (ASEAN), Starch Europe wishes to reiterate its deepest concerns about potential tariff concessions on starches and starch derivatives manufactured from local tapioca, also called cassava.

Thailand is the world's largest producer of tapioca starch at extremely low costs compared to those in the EU. Thailand is also the world's largest exporter of native tapioca starch and derivatives and has a significant capacity to flood the EU market should these products be granted preferential access. It is a primary defensive concern for Starch Europe members.

1. Thailand is the world's largest producer and exporter of tapioca starch and, as such, constitutes a threat to EU starch producers

Thailand has a 65% share of the world market of tapioca. "Because of its highly developed cassava industry, Thailand is the world's leading exporter of cassava products, and the country now has a 72% share of global exports of tapioca native starch, 64% of exports of tapioca chip, and 33% of modified starch."¹ The same source estimates that in 2021, 132 mills, many with spare capacity, produced starch and modified starch in Thailand, producing approximately 7 million tonnes of starch and derivatives. Thailand also recently started to produce waxy tapioca starch.

In 2022, Thailand exported 3.8 million tonnes of native tapioca starch. The main markets were China (71%), Taiwan (7%), Malaysia (4%), Japan (4%), and the US (3%) to customers in the food processing, paper production, drinks, and textile sectors².

Because of the lower production costs that the Thai starch industry benefits from in terms of energy, production, labour, and environmental regulations, Thai native tapioca starch (CN 1108 14 00) is particularly concerning for the European starch industry.

Thailand is already the most significant exporter of native tapioca starch to the EU, averaging about 36.000 tons per year from 2018 to 2023. These figures would grow dramatically if duties were removed, disrupting the EU's native starch competitiveness.

2. Government support in Thailand

Public authorities are heavily involved in developing the starch industry in Southeast Asia, particularly in Thailand, in various ways, including yield improvement and bioeconomy development. In November 2021, the Thai Government dedicated a budget of THB 6.811 billion to implement several measures to support the Thai tapioca (cassava) supply chain. The "Guaranteed income for cassava growers" scheme has been running since 1 November 2021.

1. [Krungsri research report "Thailand industry outlook 2023-25, Cassava industry", February 2023, page 10](#)
2. [Krungsri research report "Thailand industry outlook 2023-25, Cassava industry", February 2023, page 9](#)

3. Added value sensitive products also threaten the EU Starch industry if tariffs are lifted

According to the Kungsri report, of the 132 tapioca starch plants present in Thailand, 21 already manufacture modified starches (CN 35510). The Thai starch industry also produces starch derivatives such as dextrose (CN 1702 30 50), maltodextrins (CN 1702 90 50) and sorbitol (CN 2905 44, CN 3824 60). These are high-value-added products for infant food and pharmaceuticals that are easily transportable. Thailand exported approximately 1.14 million tons of modified starches and starch derivatives in 2021.

Since each starch product is the raw material of a further processed product, tapioca-based starch derivatives originating from Thailand directly benefit from the cost advantage of their native starch. Therefore, it is crucial to resist reducing tariffs, as this would open the door not only to imports of native tapioca starch but also to these high-value-added starch products into the EU, negatively impacting the competitiveness of the EU starch industry.

4. Strict and consistent rules of origin within the ASEAN region

Taking a global perspective, it is worth noting that while maize is the first source of primary starch production worldwide, tapioca is the second source.

Back in 2013, Thailand showed interest in the regional cumulation of rules of origin, which prompted Starch Europe's call for wholly obtained tapioca roots in the rule of origin applying to native starches manufactured in Thailand and caution in cumulation of Rules of Origin. In this context, we support the exclusion of starch products from the regional cumulation of rules of origin among ASEAN countries benefitting from a trade agreement with the EU. Additionally, products used for starch production must originate wholly from the country where the processing activity occurs, particularly for tapioca starch—CN 1108 14 00.

I CONCLUSIONS

As EU-Thailand trade negotiations resume, **Starch Europe calls on the EU Commission to treat as highly sensitive** the following starch products:

- ❖ Native tapioca starch (CN 1108 14 00).
- ❖ Dextrose (CN 1702 30 50).
- ❖ Maltodextrin (CN 1702 90 50).
- ❖ Dextrins and modified starches (3505 10).
- ❖ Sorbitols (CN 2905 44, CN 3824 60).

We also **ask that rules of origin prevent circumvention of trade in the ASEAN region**, including the free trade agreements concluded with Singapore and Vietnam. **Tapioca roots and chips used for tapioca starch production must originate wholly from the country where the raw materials are processed.**

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