Steel traders urged to tap benefits from JTEPA

Local steel traders are allowed to tap low import duties under the Thailand-Japan free trade agreement for high-grade products used by automotive and parts manufacturers, according to Finance Minister Korn Chatikavanij. The Japan-Thai Economic Partnership Agreement (JTEPA) took effect in November 2007 for a wide range of industries such as automobiles, electronics and chemicals.

However, imports of quality steel from Japan for the automotive and parts industry have since failed to benefit from the pact.

The JTEPA calls for imported hot-rolled steel, a raw material for cold-rolled steel produced in Thailand, to have import duties reduced to zero from 5%.

The problem, Mr Korn said, was that the wording of the agreement led people to believe that only automotive assemblers would enjoy the benefit.

He asked Deputy Finance Minister Pradit Phataraprasit to negotiate the issue to clarify the pact's intent.

"The outcome of the negotiation is good news for us as we succeeded in amending the condition to allow cold-rolled operators to be entitled to tap the tax benefit from their imports of steel products," Mr Korn said.

Vikrom Vajragupta, director of the Iron and Steel Institute of Thailand (ISIT), said the outcome was good for bilateral trade co-operation in general.

"But for the industrial sector, I don't think this would significantly lift the benefits of operators," he said.

He also said that he did not expect reductions in steel imports to make much impact on the prices of automobile and parts products.

Local industries import about 100,000 tonnes annually of high-grade steel.

However, Vallop Tiasiri, director of the Thailand Automotive Institute, says the agreement should be a real benefit to the automotive industry.

He said access to JETPA benefits would make imported steel cheaper. When raw products are cheaper, operators will be able to pass their products to consumers at cheaper prices, improving their sales at lower cost.

Source: Bangkok Post