# Old Protectionism under Post-colonial Relationship in Thailand's Agricultural Export to the EU

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## 1. Introduction

Thailand's international agricultural exports often face numerous trade barriers from importing countries. Despite the fact that protectionism is considered an unfair obstacle to trade, it has been widely and globally practiced, particularly in agriculture, where protectionist measures are intensely applied by states. Groups of states like the European Union (EU) are no different. The case of Thai-EU agriculture trade is far more complex than the case of Thailand with other trading partners. Apart from the struggle over the EU Common Agricultural Policy (CAP), which has created great difficulties for Thai exports due to the number of established commodity regimes, the Thai government and private sectors must manage other possible impediments from various kinds of protectionisms. The protectionism addressed in this article is old protectionism, or protectionism through the use of trade interventions and preferences in order to reduce Thai exports and benefit European producers or producers in EU associate countries under the former colonial relationship.

Thailand's agriculture and food trade with the EU must compete on several levels. Normal competition comes from EU member countries and other external countries capable of producing similar products. For example, Thai manioc farmers must compete with European cereal farmers and Indonesian and Brazilian manioc farmers (see Somboon, 1998). Thailand's shrimp must compete with products from the African Caribbean and Pacific Group of States (ACP) (ACP Secretariat, 2003: 35) and South American products; however, this competition is not a serious threat to Thailand's agricultural exports as Thailand exports the same products of good quality and at competitive prices. At the structural level, however, Thailand must compete against significant price supports and all kinds of subsidies implemented by the European Commission under the CAP (see Grant, 1997). In order to get rid of the mountains of products in CAP storage, the European Commission imposes various barriers to products from outside the EU, such as voluntary export restraints (VERs) on Thailand's manioc (see Sections 3 and 4).

As Thailand has no colonial linkage with and lacks political interests for the EU member states, Thailand must stand alone in the EU market as having the fewest trade preferences allocated by historical and political interests. Old protectionism could be clearly observed again in the removal of the Generalised System of Preferences (GSP) in tariff benefits given to Thai shrimp from 1997 to 2005 (see Section 5). In addition, the lack of close historical ties with individual EU member states directed the European Commission to be the single actor in managing trade policy with Thailand.

This paper attempts to answer the research question related to: To what extent has the old protectionism based on colonial ties been asserted in Thai-EU agriculture trading relations and how has this old protectionism affected Thailand's trading position with the EU compared with the EU associate countries under EU partnership agreements? To what extent did the Thai governments succeed in solving problems arising from old protectionism? The analysis is divided into four sections. The first section investigates the ties between EU states and their former colonies in the post-colonial era in order to explore how the EU has established its hierarchies of trade preferences towards external countries; it also explains how old protectionism could be formed in the different treatment the Commission gives to its ex-colonies and Thailand. The second section defines old protectionism in international agricultural trade in the well-known CAP and some reference to the impacts from EU enlargement on Thailand. The third section examines a case-study of a past dispute over Thailand's manioc exports to the EU during the 1980s and 1990s, highlighting the protectionism by the EU towards Thailand's manioc exports and discrimination between Thai manioc and manioc from former European colonies. In addition, roles of the Thai policy practitioners in the institution of the VERs by the EU will be evaluated. The fourth section discusses preferential trading agreements (PTAs) or tariff preferences given to ex-colonies vis-à-vis Thailand, which makes protectionism selective and, thus, potentially more harmful. The section analyses the case-study of the EU GSP suspension on Thailand's food exports to the EU from 1997 to 2005, particularly examining the shrimp sector, showing protectionism based on the different preferential schemes given to EU former colonies and non-colonies. This section will also assess the extent and method to which the possibility of GSP puts Thailand into a comparatively disadvantageous position and evaluate the effectiveness of the Thai government's policies and strategies in addressing these trade problems.

## 2. Post-colonial partnership between EU member states and their former colonies: The formation of trade preferences

Post-colonial relationships between the European major powers and their colonies in terms of foreign economic policy have been maintained after decolonisation (Frey, 2003: 411). The prolongation of economic advantages is believed to strengthen European member states in the international system (Frey, 2003: 395). European nations tried to incorporate their ex-colonies into European partnerships and integration, but post-colonial relationships instead transformed the dominion into partnership ties (Brysk *et al.*, 2002: 268). Coleman, Grant and Josling (2004: 122) saw these ties as "associated preference systems" or "post-colonial preference schemes". To some extent, "parental" ties were also created after decolonisation, which Brysk, Parsons, and Sandholtz (2002: 273) called the "families of nations". Within the 'families', the relationships between European major powers and their former colonies are more important and enduring than other explanations based on conventional national interests (Brysk *et al.*, 2002: 268).

This post-colonial relationship led to the thinking that the governments of the EU member states are willing to trade and allocate preferences to their former colonies that they consider closer, even though they can find cheaper prices and even a better quality of the same products elsewhere. For instance, the insistence by some EU member countries on trading with the ACP rather than Thailand, particularly in aquaculture products, is, for instance, reinforced by these historical and colonial ties (ACP Secretariat, 2003: 35). These trading relations show that the European states are not solely motivated by national material interests, particularly the gain from trade, considering that Thai aquaculture has a high reputation and competitive prices. European states, to a great extent, sacrifice the absolute gain from trade to the partnership with their former colonies (Frey, 2003: 395; Tomlinson, 2003: 428). Cooperation and trade within the EU Single market does not dilute the ties between individual European states and their former colonies. Major trade has been financed from European states to their ex-colonies, while there is a declining influence of the European major aid on the economic development of their former colonies. France's development aid towards its former colonies is, for instance, smaller compared to the colonial period (Frey, 2003: 408). Therefore, there has been a great shift from economic aid to trade preferences.

The ties between France and African states, Spain and South American countries, and Britain and Commonwealth countries have been very strong to date (Brysk *et al.*, 2002: 277). In addition, other small and medium-sized countries play roles in regards to their former colonies, such as the Netherlands. The Netherlands provides economic aid to Indonesia, New Guinea, and Surinam. The Netherlands has more motives to alleviate poverty in developing countries than other European donors (Arens, 2003: 457, 464). Based on statistics from three European countries, the national foreign trades and investments of Britain, France, and Spain targeted towards their ex-colonies considerably exceed the

Organisation for Economic Cooperation and Development (OECD) average level of trade to these destinations (Brysk *et al.*, 2002: 277).

French political motives towards former colonies focus on international influence of the Third World through aid as well as the cultural impact of strengthening the Francophone community. The geographical distribution of French aid ranged from North Africa, Sub-Saharan Africa, and Madagascar, to Indochina (Bossuat, 2003: 444). In particular, the economic motives behind French aid in Africa are to prospect for oil and rare raw materials (Bossuat, 2003: 446, 449, 455). In France, "Eurafrique" has long been the key foreign policy in which, according to the French government, the development of Africa could help the country strike a balance against Germany and Eastern Europe, subsequently enabling Europe to balance itself against the US (Brysk *et al.*, 2002: 278). Economic ties with ex-colonies in Africa were highly prioritised even before French domestic agriculture and industrial policies (Brysk *et al.*, 2002: 280). Aid during President Charles De Gaulle's administration reached double the amount of spending of the state's subsidised housing and agriculture and three times the public health budgets (Bossuat, 2003: 452). However, the De Gaulle government did not consider the amount of spending to be high compared to political, cultural, and moral returns (Bossuat, 2003: 454). France was keen to handle the European Overseas Development Fund, established by the EU in 1957. This fund was overseen by French authorities who also regulated French bilateral aid (Bossuat, 2003: 430). On the contrary, France's influences of former colonies in Indochina—including Cambodia, Laos and Vietnam—greatly declined by the replacement of the US roles in Southeast Asia, since the Vietnam War and during the bi-polar world order (Frey, 2003: 409, 412).

Britain still maintains close relations with the Commonwealth even after decolonisation. The British government considers the Commonwealth to be a guarantor of its leading international role (Tomlinson, 2003: 423). The British decision to join the European Community (EC) was late due to these colonial ties. Although the British Board of Trade concluded that "free entry into industrialised Europe could be worth more than preferences in non-industrialised Commonwealth countries" (Brysk *et al.*, 2002: 291), the British government initially decided not to seek membership in the European Coal and Steel Community (ECSC) as it thought the ECSC accession would undermine its political umbrella and existing trade preferences with the Commonwealth. In particular, the Labour government saw that Britain's first EC application in 1962 by the Conservative government was "a betrayal of Commonwealth interests" (Tomlinson, 2003: 423). The Labour Party also saw the Commonwealth as a source of cheap food supply and offshore farms (Coleman *et al.*, 2004: 112). After joining the EC in 1973, the UK did not abandon the Commonwealth, despite realising that the British economy depended more on the intra-European trade than on the Commonwealth nations (Brysk *et al.*, 2002: 289). On the other hand, Britain embraces its ex-colonies in the European aid framework, such as through the cooperation with the ACP previously encompassing the former French colonies and the Mediterranean in order for the former British colonies to benefit from freer access and preferences from the EU. In 1996, the House of Commons Foreign Affairs Committee issued A Report on the Future Role of the Commonwealth, which asserted the importance of post-colonial ties as "necessary to strengthen Britain's ties with the Commonwealth" (Brysk, *et al.*, 2002: 295). Significant benefits were evident for the Commonwealth, such as the EU's sugar agreement, which offered considerable price support to the Caribbean producers (Tomlinson, 2003: 415).

Like France, Spain uses South America to counterweight the United States (Brysk, *et al.*, 2002: 286). After Spain's accession to the EC in 1985, Spain and South America became more integrated into European cooperation. At the EU, Spain has been an advocate of South American interests, while the EU has also delegated responsibility for South American affairs to Spain (Brysk *et al.*, 2002: 288). Although after decolonisation the Netherlands stressed the fight against poverty in the Third World, aid to Indonesia indicated that, for a small country like the Netherlands, close ties to its former colonies remained a valuable asset in both humanitarian and economic development (Arens, 2003: 471).

National bureaucracies in European states also played great roles in maintaining ties with their former colonies. The European major powers tended to keep the offices previously dealing with their ex-colonies after decolonisation. Power over foreign relations was in the hands of small groups wanting to retain their positions and organisations dealing with the colonies as in colonial times. Foreign policy actors who specialise in the working of the ex-colonies try to generate perspectives that value post-colonial ties. In France, Eurafrique offices are very important; important posts are reserved for specialists in African affairs. Moreover, notwithstanding the election of right or left wing French governments, foreign economic policies towards Africa have remained important since decolonisation (Brysk *et al.*, 2002: 282). Before, Britain's

Dominion Office oversaw the relations with the Commonwealth countries. Britain has also been the main supporter of the annual Commonwealth Heads of Government meeting since 1944 (Brysk *et al.*, 2002: 292). In Spain, interactions with South American states are considered "domestic" rather than "international" and geared by the Hispanic Institute, later changed to the Ibero-American Cooperation (Brysk *et al.*, 2002: 284, 295). Spanish staffs were very active in the Ibero-American Summit and the meeting of the Organisation of American States (OAS). In this account, it is not domestic economic interests that drive post-colonial policies in European states, but rather the segment of the foreign policy-making elite itself.

Post-colonial ties created difficulties to both European producers and consumers. The foreign economic policy-making does not necessarily respond to the demands of the population and consumers at large, suggesting the policies and privileges European states extended to their former colonies. Coleman, Grant and Josling (2004: 127) noted an asymmetry in post-colonial preference, while European national governments wanted producers in their former colonies to be competitive, they must highly support their domestic producers. In addition, European consumers must buy sugar that is over 400 percent more expensive than the world price to support the ACP producers (see also Section 3). Likewise, European consumers are mainly provided with the majority of shrimp from South America and the ACP, despite shrimp from Thailand—the world's largest provider with the best reputation for its brand.

Considering trade relations for the whole community, the hierarchies of trade preferences were established by the European

Commission (Weston *et al.*, 1980: 25). This hierarchy was influenced by historical and political factors. The group of states receiving the first priority of trade preferences after the fellow European states is the ACP. Dependent territories of the EC member states came after and were respectively followed by the Southern Mediterranean and the Middle East countries, while other former European colonies outside the ACP and Mediterranean agreements came last (Weston *et al.*, 1980: 25).

If the factors of colonial ties and hierarchies of trade preferences are considered, some groups of EU member states' former colonies are more privileged than others. The ACP is the largest and most privileged group of preference recipients. The ACP associates were chosen initially on the basis of colonial links and later on political bases. The ACP-EC Economic Partnership Agreements (EPAs) are cooperation programmes among 27 countries of the EU and 71 countries of the ACP (ACP Secretariat, 2003). The ACP comprises the countries that are signatories of the Yaoundé, Lomé, and Cotonou Conventions with the EU, which maintain duty-free access for industrial products. For agricultural products, the ACP group received a reduction on barriers and preferences for five years on renewable terms (ACP Secretariat, 2003). The interests of ACP nations were noted to be allowed to affect the GSP allocation to third-party countries. This would be reinforced by the colonial links of France and African states as well as Britain and Commonwealth nations. It was noted at the beginning of the GSP scheme that the ACP could recommend a cut of GSP on Thailand's specific products, if the GSP allocated jeopardises the ACP's interests (Weston *et al.*, 1980: 26, 29).

France uses EU relations with the ACP to support its ex-colonies in the area. Major French development aids in Africa included two deep water ports in Cotonou, Benin, and Lomé, Togo, which became the venue of revision of the Yaoundé Agreement whereby two subsequent important Treaties of Lomé and Cotonou were signed to assist the ACP (Bossuat, 2003: 439). The first Lomé Convention was signed in Lomé Togo in 1975, replacing the Second Yaoundé Convention in 1963 (ACP Secretariat, 2007). The Lomé Convention was to guarantee the EU with regular supplies of raw materials and maintain its privileged position in its overseas markets. It was based mainly on a system of tariff preferences that give those countries access to the European market and special funds that maintain price stability in agricultural products (Nilsson, 2002: 442). It also derived from a sense of responsibility arising out of its colonial past (Coleman *et al.*, 2004: Nilsson, 2002). Lomé was succeeded by the Cotonou, signed in Benin in June 2000 (ACP Secretariat, 2000). One of the major differences with the Lomé convention is that the Cotonou partnership extended to new areas like civil society, the private sector, trade unions, and local authorities (ACP Secretariat, 2000). Previously, most associate countries in the ACP were former French colonies. After the British accession into the EEC in 1973, the associated countries expanded to cover Britain's former colonies. However, not all former French and British colonies were included in the ACP framework; for example, Cambodia, Laos, and Vietnam (former French colonies), and Brunei, Malaysia, Myanmar, and Singapore (former British colonies), although they fit in the Pacific category in the ACP. The EU seems to limit its political interests in these ex-colonies in Southeast Asia according to the factor that, after decolonisation, some of them were principal recipient of development aid from the United States, especially during the Cold War as mentioned earlier. Moreover, this may be derived from some of the industrial competition in the Newly Industrialised Countries (NICs), such as Malaysia and Singapore (Nilsson, 2002: 442).

The issue of sugar trade clearly shows that colonial ties with the ACP come before European consumers' welfare. The CAP subsidises European production of sugar from sugar beet, which makes the EU the largest sugar beet producer in the world, with an annual production of 17 million metric tonnes (European Commission, 2000a: i). Sugar is controlled in the sugar regime, in which the EU has maintained unlimited imports of sugar from the ACP, subject to oversight of ACP sugar production. It has even created inflated prices for European consumers (see Section 3). The EU has continued to refuse to join the International Sugar Agreement in order to avoid the allocation of quotas to outside countries, such as Thailand (Ammar, 2000). Although research has indicated that free trade in sugar would create cheaper prices for EU consumers (Ammar, 2000: 235), the Commission and European states want to support their own sugar trade as well as that from the ACP. The EU let European citizens consume more expensive sugar due to price supports and tariff protection of European sugar, with tariff exemption allowed only for ACP sugar. Moreover, in the reform of CAP, sugar was not included in the 1992 MacSharry Reforms or in the Agenda 2000 decisions (European Commission, 2007a), which demonstrates that national economic interests have been less prioritised than the European member states' ties with their associate countries. However, in 2005, EU agriculture ministers announced plans to cut the minimum beet price by 39 percent over a period of four years starting in 2006 (European

Commission, 2007a). Under the Sugar Protocol to the Lomé Convention, nineteen ACP countries exporting sugar to the EU would be affected by price reductions in the EU market. According to the EU, this is the first substantive reform of sugar under the CAP for 40 years (European Commission, 2007a).

Dependent territories of EU member states are next in line for trade preferences; they receive preferences equal to those of the ACP. However, they lack strong political bargaining power like the ACP, particularly in their inability to exert political pressure on the EU's GSP decision as discussed earlier. The Mediterranean group receives huge tariff concessions in agricultural products. Israel used to receive tariff concessions of nearly 85 percent in the beginning of the scheme (Weston *et al.*, 1980: 37). In the Mediterranean, colonial links are less significant than political factors when considering the EU's involvement in civil wars and the Middle East Peace Process under Eurafrica and Euro-Arab Dialogue (EAD) (European Commission, 2001b). The EAD involves Algeria, Egypt, Israel, Jordan, Malta, Morocco, Tunisia, and the Palestinian Authority; these relationships have been initiated by France as most countries were former French colonies.

In South America, the EU has partnership programmes with three sub-regions—the Southern Common Market (Mercosur), Central America, and the Andean Group—as well as bilateral relations with Mexico and Chile (European Commission, 2007b). Mercosur, established in 1991, includes Argentina, Bolivia, Brazil, Chile, Mexico, Paraguay, Peru, Uruguay, and Venezuela; it aims to create a common market and custom union among its members (European Commission, 2007b: 1). Relations between the EU and Mercosur are based on two agreements:

the Inter-institutional Cooperation Agreement between the Mercosur Council and the European Commission and the EU-Mercosur Interregional Framework Cooperation Agreement (European Commission, 2007b: 1). These agreements cover three major issues: political dialogue, cooperation, and trade issues. The EU is the largest market for products from the Mercosur group. Mercosur countries wanted to expand in agricultural markets, especially sugar, beef, and orange juice, while the EU countries wanted to enter industrial and service sectors. However, there was some criticism from the EU side that Mercosur was asking for too much while offering too little (Office of Agricultural Affairs, 8 April 2005). Countries in the Central America and the Andean Group also receive GSP privileges as a result of following the EU anti-drug policies (see Section 5.1).

Other former European colonies, such as those in Southeast Asia, were classified under the GSP scheme together with other developing countries and least developed countries (LDCs). However, the GSP was not created equal and is not applied with the same standards. The study sees a division of GSP beneficiaries as between more preferred GSP beneficiaries and less preferred GSP beneficiaries. Southeast Asia ex-colonies are considered here to be in the first group despite the fact that they were excluded from the ACP, while Thailand is in the latter group. Ex-colonies in Southeast Asia received a relatively larger amount of trade preferences, especially GSP, than Thailand, where there had not been a colonial relationship (see Section 5). In addition, trade partnership between EU and ASEAN has not clearly evident as those between EU and other regions.

Thus, EU trade policies and preferences greatly depended on colonial ties coupled with political interests. Some countries were given more trade privileges as a result of colonial linkages. However, those with fewer benefits, such as former colonies in Southeast Asia, still maintained bilateral ties with individual EU members. As a country with no former colonial ties to any EU state, Thailand is on the lowest in the EU hierarchies of trade preferences, especially in agricultural trade.

### 3. Old protectionism in international agricultural trade: The Common Agricultural Policy (CAP)

Free trade cannot be easily achieved given existing protectionism by states against agricultural commodities. Agriculture is an essential economic sector to most nations regardless of the level of advancement in the countries. The need for food security and raw materials for industry makes agricultural commodities prone to be protected by states. In particular, the EU has spent over half of the subsidies worldwide. In agricultural negotiations, therefore, it is unquestionable that the United States would rather work with other developing countries, particularly the Cairns group of agricultural exporting countries, to push for the reduction of CAP subsidies (Deardorff & Stern, 2002: 419).

The General Agreements on Tariffs and Trade (GATT)'s and the World Trade Organization (WTO)'s major principles of trading systems are the same—namely, they both encourage non-discrimination, tariff-only protection, and anti-trade blocs (WTO, 2007a). However, the WTO differs from GATT in having its own dispute settlement board (DSB)

(Deardorff & Stern, 2002: 414). Examining these trade principles individually, Thai-EU relations have not predominantly followed any of these international rules and principles. Non-discrimination means external trade measures must be equivalent to those applied internally; moreover, the trade practice must be transparent. However, discriminatory practices have emerged between the countries with close historical and political ties to the EU vis-à-vis Thailand. This practice is mainly connected to the fact that Thailand has no colonial linkages with the EU (see Sections 2, 4, and 5).

Tariff-only protection means the internal producers must be protected only by custom tariffs. Thus, variable levies and non-tariff barriers (NTBs), such as quotas, VERs, anti-dumping measures, and export subsidies must be avoided. This was noted when the agricultural agenda, first considered in the GATT Uruguay Round in 1994, was trying to change all trade interventions into only fixed tariffs or the tariffication process (WTO, 2007a). However, the EU applied both tariff and non-tariff protections to Thailand's agricultural products as well as huge farm and export subsidies on its own agricultural products through the CAP (Grant, 1997: 28). In the case of Thai manioc, VERs had been signed by the Thai government and EU to quantitatively control the cheap influx of Thai manioc as cereal substitute for feed production in the European market (see Section 4).

According to the GATT, groups of nation states are permitted to form cooperation blocs for trade expansion (WTO, 2007a). However, the groupings must not intend to be trade blocs or barriers that would negatively affect third parties outside the grouping. Indeed the EU is a trade bloc that has most defended its farm commodities compared to other states in international trade. Moreover, European integration and the ongoing process of enlargement create trade obstacles for external countries like Thailand. Thailand has been negatively affected on trade from the subsequent enlargements by the EU since the Southern enlargement in the 1980s (Greece joined the EC on 1 January 1981, while Portugal and Spain joined the EC on 1 January 1986). Rice is an example negatively affected by the enlargement. The price of rice used to be supported by the CAP at nearly 50 percent higher than the real price (CES, 2003a) to protect the small numbers of rice farmers in Italy (Grant, 1997: 143 and 2003: 21). Thailand's rice used to receive nearly duty-free access into Austria, Finland, and Sweden before their accession into the EU in 1995. After the enlargement, Thai rice exported to the three countries was charged at 611 Euro per tonne (CES, 2003a). The EU had to compensate for Thai rice since the expansion of its membership negatively affected the third party according to the WTO rules. Thai rice, fruits, and vegetables were again facing difficulties in the time of the Eastern enlargement, since Thailand had faced very low tariffs for rice and nearly zero tariff for fruits and vegetables exported to Eastern Europe (CES, 2003b). Once those countries become EU members, Thai food products will be charged at higher tariffs in the Single market.

The EU has contributed to the notion of "Fortress Europe" (Howarth, 2000: 9). The two world wars and successive food shortages in Europe were the primary reasons for the CAP establishment. The CAP negotiations were conducted since the signing of the Treaty of Rome in 1957 until after the resolution of the Luxembourg compromise in 1965 (Roederer-Rynning, 2002: 108; Elliott & Heath, 2000: 42). According to the 1957 Treaty of Rome, the original objectives of CAP were to increase farm yields, ensure farmers' welfare, ensure market stability and food supply, and guarantee cheap prices for consumers (Howarth, 2000: 4). These European food and agricultural objectives seem to be very conflicting as the objective to ensure farmers' income must inevitably lead to interventions for high food prices. Therefore, farmers' welfare objective was supported more than consumers' benefit considering the numbers of policy packages in CAP to support farm prices and farmers (Grant, 1997: 28; Howarth, 2000: 4). In subsequent periods, CAP objectives were expanded to preserve rural or farmer communities, countryside, and the environment and to follow the obligations of international trading relations, particularly in the WTO negotiations (Howarth, 2000: 4-5).

To achieve all of these objectives, CAP measures include a free internal market, common internally administered farm product prices maintained by interventions and export subsidies, a common system of external protection, and common financial responsibility (Howarth, 2000: 5). These instruments are, however, costly for the EU, European consumers, and taxpayers. Germany (especially under the Social Democratic Party—SDP), Britain, the Netherlands, and Sweden complained about their net contributions in the CAP budget, particularly during the drafting of the Agenda 2000 proposal (Grant, 2003: 22; Ackrill, 2000: 346). Moreover, CAP policies create incentives for farmers to utilise mass production, in which demands cannot be absorbed (Daugbjerg, 1999: 408). The "butter mountains and wine lakes" (Reinhorn, 2007: 197) are usually heard as a result of overproduction. These budgetary problems led to the ideas of CAP reform.

The early efforts for CAP reform failed because of the lack of cooperation from France, which had predominantly benefited from CAP's generous farm packages (Ackrill, 2000: 344; Grant, 2003: 22). Later, the CAP budget became a greater burden for France due to the obligations to support new Southern members—namely, Greece, Portugal, and Spain. French incentives to reform have increased as have international pressures. In 1986, the United States and Cairns group proposed phasing out domestic farm support under the CAP (Howarth, 2000: 6; Daugbjerg, 1999: 409). This proposal later conformed to the Uruguay Round of GATT in the 1990s, in which global cuts in domestic support and export subsidy and tariffication of variable levies into fixed percentage tariffs were encouraged (Howarth, 2000: 8). However, the inventions of "green" and "blue" boxes aimed to contain non-production-related support and other supports unresolved in the negotiations (Coleman *et al.*, 2004: 120). These reservations for certain subsidies have continued to be the protectionist means utilised by the EU.

Major reform started in 1992 under European Agricultural Commissioner MacSharry by reducing price intervention and transforming it into direct payment to compensate farmers (Ackrill, 2000: 344; Daugbjerg, 1999: 415). This reform received pressures from both internal budgetary constraints and external pressures from the GATT negotiations (Coleman & Tangermann, 1999: 386; Daugbjerg, 1999: 409). Although the MacSharry Reform has been regarded as "the most far-reaching reform" (Daugbjerg, 1999: 409) of the CAP, the budget spending on CAP has still been enormous. The reform was rather moderate because the idea of subsidising farmers remained unchanged despite decreases in crop prices (Daugbjerg, 1999: 415). Moreover, the adding of environmental and rural development in the CAP packages rather becomes the indirect subsidy. Another major CAP reform in 1999 coincided with Agenda 2000, which continued the MacSharry agenda of reducing price supports with direct payments to farmers (Ackrill, 2000: 351).

In the 2003 WTO Doha Round, Mariann Fischer Boel, EU Agriculture and Rural Development Commissioner, claimed that the EU had substantially reformed the CAP. She claimed that the EU is the leader against internal subsidies, and the EU has provided the widest markets open for developing countries and LDCs (Office of Agricultural Affairs, 1 September 2005). However, the EU internal subsidies have not gradually disappeared as claimed but instead have been increasingly moved into the "green" and "blue" boxes (Coleman *et al.*, 2004: 120). Moreover, the EU continues to include non-trade issues in trade relations, such as animal welfare, environmental protection, and geographical indication on food products. The non-trade-related issues were claimed by the EU to support the rural development policy that the EU tried to include in agricultural trade (Office of Agricultural Affairs, 1 September 2005).

Thailand's other food and agricultural commodities mainly affected by the CAP include cereals, chicken, and sugar. The EU uses numerous kinds of intervention prices on cereal, which makes European wheat, for instance, 185 percent higher than the world price (Howarth, 2000: 6). Despite numbers of CAP reforms targeting cereal production, no substantial change has been made in the cereal sector. Although the MacSharry Reform's efforts tried to reduce cereal prices by 29 percent from 1993 to 1996, the EU continues to intervene in the cereal markets by stockpiling to maintain price stability (Daugbjerg, 1999: 415). Moreover, there has still been a high level of stock build up for cereal (European Commission, 2005: 9). The cereal commodity regime in the CAP relates directly to the livestock feedstuffs from Thailand, particularly manioc as cereal substitute. In the past, imports of manioc as cereal substitutes increased significantly due to cheaper prices and the ability to replace protein-rich feeds produced by European farmers (Somboon, 1998). After the European Commission wanted to protect European cereal farmers, VERs were invented to limit the quantity of manioc imported from outside Europe (see Section 4).

Chicken is the agricultural commodity with the largest trade values between Thailand and the EU (CES, 2003b). In this regard, chicken in the EU is highly subsidised—up to 2,040 Euro per tonnes (CES, 2003a). It is noted that the European chicken price is 131 percent higher than the world price (Howarth, 2000: 5). Chicken from Thailand received 5,100 tonnes tax-free quota according to the Blair House Agreement, which compensated for chicken-exporting countries globally (CES, 2003a). However, the compensation accounted for only 2.5 percent compared to a total 200,000 tonnes of Thai chicken exported to the EU. Among this, Brazil received a higher compensation for 7,100 of the 15,500 tonnes of compensation globally. European sugar is priced 438 percent higher than the world price (Howarth, 2000: 5). Sugar has been allocated a production quota by the EU (Grant, 1997: 140), but some member states and countries in the ACP could not reach the set production quota given. Sugar is not only protected in raw and refined forms; processed foods having sugar contents, especially canned pineapple, are charged very high tariffs. In addition, this sector in Thailand was suspended the GSP. The study indicated earlier that free trade in sugar would result in much cheaper sugar for European consumers (see Section 2). However, the EU tends to support its own producers as well as producers in its partnership agreements.

## 4. Old protectionism through Thailand's manioc voluntary export restraints (VERs)

Europe's foreign economic policies put Thailand at a competitive disadvantage. Thailand has been placed lowest or even outside the hierarchies of trade preferences (see Section 2). Such hierarchies have impeded the prospects of Thailand's agriculture and food exports to the EU considering the enormous trade privileges other EU associate countries and more preferred countries have received. Historically, manioc had not been traded as feedstuffs internationally in any great amount before the 1960s (Somboon, 1998: 107). After World War II, manioc was traded mainly in the form of tapioca starch and flour, in which the United States was the major market. After the European compound feed industry found that a mixture of dried manioc with protein-rich soybean could substitute for maize or barley, feed manufacturing in the community switched to non-grain feed ingredients (NGFI) to replace expensive domestic and imported feed grains (Somboon, 1998: 109-110). Consequently, the export of manioc from Thailand to the EU increased considerably, from 672,000 tonnes in 1967 to 5,553,000 tonnes in 1978—an increase of nearly 900 percent within 11 years (Krirk-krai, 1985: 59).

The huge amount of manioc imported from Thailand negatively affected the cereal commodities regime under the CAP price support because the Commission needed to subsidise the European farmers for barley and wheat at a very large budget. The Commission needed to invest in storage and could not distribute to the market due to an inability to compete with the cheaper Thai manioc (Nipon *et al.*, 1993: 119). In the late 1970s, the French grain producers pressured the Commission to restrict all imported NGFI or cereal substitutes (Somboon, 1998: 116). The Commission later regarded manioc-related products exclusively as a destabilising factor on the EEC cereal market and CAP commodity regimes for grain or cereal, introduced in 1962 (Somboon, 1998: 114). In contrast, the Commission stated that other NGFI imports—particularly the maize gluten from the United States—had no direct impact on European grains (Somboon, 1998: 116). The Commission was threatened by a US trade retaliation if it imposed quantitative restrictions on US maize (Davenport, 1986: 33). Thus, there was a discriminatory practice against manioc mainly imported from Thailand.

In 1979, a VER of Thai manioc exports to the EU was developed from the agreed minutes between Thailand and the EEC, stating that Thailand agreed to export no more manioc than the total amount exported in 1978 (Krirk-krai, 1985). The minutes also stated that Thailand was willing to cooperate and negotiate to ensure the gradual reduction of the quantity exported to Europe. The Commission representative further visited Thailand to persuade the Thai government to limit manioc exports. Thailand's Agricultural Ministry responded by limiting the expansion of manioc cultivation (Somboon, 1998: 119). Thailand's Ministry of Industry discouraged manioc expansion by prohibiting any setting up or expansion of manioc processing plants. Thailand's Ministry of Commerce signed the informal VER with the Commission in 1980 (Somboon, 1998:

121). In 1982, the VER, formally called the "Cooperation Agreement between the European Economic Community and the Kingdom of Thailand on Manioc Production, Marketing and Trade" was reached between EEC and Thailand to restrict imports of manioc to 18.9 million tonnes for a four-year period from 1983 to 1986 at an import levy of 6 percent (Somboon, 1998: 127). The VER limited exports of manioc to Europe to five million tonnes in 1983 and 1984 and 4.5 million tonnes in 1985 and 1986 (see Table 1). In each of the two biennial periods (1983-4, 1985-6), an extra 10 percent of the annual quantities were allowed to be filled at any time. Any extra quantity that Thailand wished to export would be charged at a 28 percent tariff—a rate that was prohibitive in terms of the competition of Thailand's products with intra-community cereal commodities (Krirk-krai, 1985: 59). The trade quota was increased from 4.975 million tonnes per year to 5.25 million tonnes per year from 1987 to 1990 (Somboon, 1998: 127).

Table 1 EC: Manioc VERs under the agreements with major exporters, 1982-1986 (unit: tonne)

| year/country | Thailand | Indonesia | Brazil |
|---|---|---|---|
| 1982 | 5,000,000 | 588,235 | 588,235 |
| 1983 | 5,000,000 | 882,355 | 882,355 |
| 1984 | 5,000,000 | 882,355 | 882,355 |
| 1985 | 4,500,000 | 970,590 | 970,590 |
| 1986 | 4,500,000 | 970,590 | 970,590 |

Source: Constructed from information provided by Krirk-krai, Jirapaet. (1985). *Protectionism*. Bangkok: Faculty of Economics, Thammasat University; Somboon, Siriprachai. (1998). *Control and Rent-Seeking: The Role of the State in the Thai Cassava Industry*. Lund: Lund University Press.

As Thailand was not a contracting party of the GATT at the time of the first 1982 VER, the Commission threatened to withdraw the import tariff of 6 percent under the GATT at any time (Somboon, 1998: 120). Moreover, the refusal to implement the VER would invite a more stringent unilateral action taken by the EU despite the fact that VER was based on a voluntary basis. The forced signing of the first agreement was quite rational given that Thailand was not a GATT signatory at that time. In negotiations to extend the first formal VER, which ended in 1986, France, Spain, Greece, and Ireland (which had 24 votes altogether) opposed the continuation. Other EC members cast 50 votes in favour of the continuation, but this did not reach the required 54 votes under the QMV system (Taweewan, 1993: 31). Therefore, the Thai government at that time used the lobbying company, J. M DIDILER ASIA S.C. to ask for votes from the Greek Prime Minister during his visit to Thailand. After Greece changed its five votes, the count was 55 in support of the continuation—enough to push the extension (Charin, 1994: 38). For the second renewal of the agreement, which was due to end in 1990, France opposed the idea of increasing the export quota from 500,000 to 750,000 tonnes yearly (Taweewan, 1993: 32). The lobbying company on behalf of the Thai government approached the leaders of Spain and Greece to secure the vote on the VER, which was successful (Taweewan, 1993: 32). Thus, the roles of lobbying companies have been very important; they enabled Thailand to negotiate the manioc VERs to some extent, unlike the more complicated GSP and shrimp case (see the following section). Moreover, the lobby strategies were successful twice when Thailand approached the European state, lacking colonial interests at stake like Greece.

The Thai government renewed and extended the VER for nearly 20 years from 1979 until 1998, although Thailand had already entered GATT immediately after signing the first formal VER in 1982 (Somboon, 1998: 111, 125). The decisions of the Thai governments to extend the VER rather than claim the status of principal supplier according to the GATT were poor-sighted. Somboon (1998: 121) also revealed that the Thai bureaucrats' decision of extension was due to a concern that the EU might import manioc from other countries. This did not happen. Moreover, the Thai government wanted to charge quota rents to exporters and seize the power from the European MNCs that previously controlled manioc exports to Europe (Somboon, 1998: 113, 117). In addition, the Thai government's decision to extend the 1993 VER was derived from the belief that Thailand would not be able to use up the export quota amount plus added ceiling of 5.75 million tonnes from 1993 to 1995 (Somboon, 1998: 133).

Compared to other former European colonies and competitors, Indonesia and Brazil received increasing quotas to export at the MFN 6 percent tariff rate yearly, whereby in 1982, Indonesia and Brazil received the quota at 588,235 tonnes, which was increased to 970,590 tonnes in 1986 (see Table 1). Discrimination occurred when Indonesia and Brazil, with lesser potential than Thailand, received increasing quotas year by year to the extent that they could not utilise the full allocated quota. In 1982, Indonesia could export only 50 percent of the quota received (286,037 tonnes); in 1983, it could export less than 10 percent of the quota received (86,000 tonnes) (Krirk-krai, 1985: 60). Moreover, Brazil could export only 3,043 tonnes in 1983, which was less than 0.3 percent of the quota received. The European Commission gave the larger proportion of quota to the small producers instead of to the large producer, suggesting that the EC might want to be seen that its measures allowed huge amounts of manioc despite the lower production in real terms or that the preferences had been allocated to accommodate Indonesia and Brazil in encouraging future production in those countries.

In terms of exporter status, Thailand has never been classified by the European commission as among the major manioc exporters (Nipon *et al.*, 1993: 122), while the output of Thailand has been the largest in the world. Thailand had still not been recognised by the Commission as a principal supplier of manioc like Indonesia and Brazil in the first VER in 1982 and the second VER in 1987, despite having overtaken the two countries' positions since the 1960s, thereby becoming the world's largest supplier (Somboon, 1998: 128). Thai manioc was also rated as lower grade than that from Indonesia (Nipon *et al.*, 1993: 122). The Thai government wanted the negotiations for the second renewal to settle these problems. However, the Commission accepted Thailand as a principal supplier on a bilateral basis only (Somboon, 1998: 129). The EU instead allowed the increase in the yearly export ceiling from 5.5 million tonnes to 5.75 million tonnes per year (Somboon, 1998: 137).

Apart from receiving an unrealistic quota, Thai manioc had to compete with the United States maize gluten as another cereal substitute for feedstuff, which received a concession from the EC in the GATT Dillion and Kennedy Rounds (Somboon, 1998: 119). Although the share of EC manioc imports—mainly from Thailand—of the total import of substitutes declined from 49.2 percent in 1978 to 43.5 percent and 37.3 percent in 1979 and 1980 respectively, the share of corn gluten feed—mainly from the United States—in total imports of cereal substitutes increased from 13.9 percent in 1978 to 16.4 percent and 19.9 percent in 1979 and 1980 respectively (Somboon, 1998: 111). As long as the Commission continued the farm subsidy on cereal under the CAP, the policy negatively affected the CAP budget for storage and price supports and definitely affected the control of import quantity from Thailand. The manioc case suggests that old protectionism occurred in the use of VER conducted by the European Commission, despite the fact that free trade in cereal and cereal substitute products would benefit European consumers and feed producers through lower prices. However, because the European Commission wanted to defend and subsidise its own products and favour particular external products, this protectionism jeopardised its overall welfare.

## 5. Old protectionism through EU Generalised System of Preferences (GSP) suspension of Thai shrimp

As discussed in Section 3, sensitive agricultural commodities, including aquaculture products, sugar-content products especially canned pineapple, processed and unprocessed fruits and vegetables, are the major farm exports of Thailand to the EU member states. The most preferred GSP beneficiaries receive preferences for these sensitive products, but most of Thailand's food export products to the EU are not under the GSP scheme. For instance, Thai seafood exporters during the 1997-2005 suspension of GSP faced the highest tariff to the EU, approximately 15 to 20 percent, while other seafood exporters to the EU like Indonesia, Madagascar, Senegal, and countries in South America pay only 3.5 to 4.6 percent under the GSP. In particular, Thailand's major aquaculture product, frozen shrimp, is charged 15 percent, while GSP countries are only charged 4.2 percent. As discussed earlier, levies are also charged on the sugar content of fruit products from Thailand, especially canned fruits (see Sections 2 and 3). Processed pineapple from Thailand is charged tariffs of between 21 and 25 percent, while GSP countries pay only a 12-15 percent tariff. The different levy is believed to protect the sugar trade with their EU countries' ex-colonies in the ACP. Therefore, the data indicate that other more preferred GSP beneficiaries benefit considerably from levies and tariff reductions. Thailand, however, does not enjoy that privileged position and is sometimes ranked lowest of the preferences. The following case-study on the suspension of GSP from 1997 to 2005 in Thailand's shrimp will assess the disadvantage of Thailand from the GSP allocation.

## 5.1 The allocation of EU GSP

The allocation of GSP was first presented by Raul Prebisch, the first Secretary-General of the UNCTAD, at its inaugural conference in 1964 in order to help developing countries' and LDCs' trade (Davenport, 1986: 2). GSP or the PTA was derived from the fact that the comparative disadvantage in trade in the Third World was the main obstacle to achieving overall global trade notwithstanding rich or poor countries. The GSP was adopted at the second UNCTAD meeting in New Delhi in 1968 (UNCTAD, 2002a). UNCTAD also outlined the three purposes of GSP: "1) to increase income from exports from developing countries, 2) to support industrial development of developing countries and 3) to increase economic growth of developing and LDCs" (UNCTAD, 2002a: 1). As stated in Resolution 21 (ii) of the UNCTAD II, "the GSP should be generalised, non-reciprocal, non-discriminatory system of preferences in favour of the developing countries including special measures in favour of the least advanced among developing countries" (UNCTAD, 2002a: 1).

Under the GSP scheme, selected products originating from developing countries are granted reduced tariffs compared to most-favoured nation (MFN) rates or zero tariffs (Nilsson, 2002: 442). The LDCs receive special and preferential treatment for a wider coverage of products and deeper tariff cuts. In principle, the GSP was expected to be a temporary trade measure as the scheme contradicted the MFN principle under GATT in which all preferences should not be selective between countries inside and outside the scheme. In the beginning, GATT members discussed the fairness of the GSP scheme as the GSP grantor can choose the products and countries to receive tariff reductions and exemptions (Bureau of International Economics and Trade Research, 1999: 1-2). GSP distinguishes between GSP recipients and non-GSP recipients, making it more likely for GSP grantors to import from GSP recipients than the rest (Nilsson, 2002: 443). GATT members then agreed to treat GSP as a special case of exemption in the 10-year period starting 1971, approving a waiver to Article 1 of the GATT in order to authorise the GSP scheme. Later, the contracting parties decided to adopt the 1979 Enabling Clause, Decision of the Contracting Parties of 28 November 1979 (26S/203) entitled "Differential and more favourable treatment, reciprocity and fuller participation of developing countries", creating a permanent waiver to the MFN clause to allow preference-giving countries to grant preferential tariff treatment under their respective GSP schemes under non-reciprocal and non-discriminatory principles

(UNCTAD, 2002a: 1). Currently 13 GSP schemes exist under the UNCTAD Secretariat: Australia, Belarus, Bulgaria, Canada, Estonia, the EU, Japan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey, and the United States (UNCTAD, 2002a).

The GATT Tokyo Round during the 1970s created a loophole for developed countries to impose non-trade requirements in GSP allocation. The agreement from the round indicated that the GSP grantor should not request the exchange of trade-related requirements from the GSP recipients but did not specify non-trade requirements (Bureau of International Economics and Trade Research, 1999: 5). In addition, the detailed principle of the GSP depends on the specific GSP grantor. Hence, the European Commission added more non-trade conditions to its allocation. Like developed countries, the EU created criteria and indices for GSP allocation. However, the EU tends to include everything that may support its foreign and economic policies abroad, which makes the GSP a trade weapon or a means of protectionism. The EU GSP criteria include levels of economic performance, calculation of economic indicators, the protection of the environment in tropical forests, labour protection, and the anti-drug policy (UNCTAD, 2002b)—all of which are non-trade criteria and could create opportunities for trade barriers. For example, the environmental protection requirement forced developing countries that needed the GSP to import advanced technology and equipment to follow the environmental guidelines (Bureau of International Economics and Trade Research, 1999: 5). In the drug policy, the EU preferred to give the GSP to countries that enact strict punitive laws on illegal drugs. It was ironic that the EU focused only on the legislative adjustment and gave the

GSP to the Andean countries like Columbia, Bolivia, Peru, Ecuador, and Nicaragua, which were notorious for drug dealing.

The EU GSP scheme was enacted in 1971 (UNCTAD, 2002b: vii). However, a scheme for agricultural and industrial products cannot start and end at the same time as agricultural products are more diverse than industrial products. Therefore, in 2002, the European Commission separated schemes for industrial products from schemes for agricultural products through in-depth tariff cuts for agricultural products, consequently judging agricultural products by their import sensitivity in the EU market (UNCTAD, 2002b: xi). Non-sensitive products receive duty-free entry to the market while sensitive products receive either a flat rate reduction of 3.5 percentage points from the MFN duty in the case of *ad valorem* duties or a 30 percent reduction for the MFN duty in the sole presence of specific duties (UNCTAD, 2002b: xi).

Regarding the GSP cut, a specific country could be excluded from the whole GSP scheme if it was either classified as a high-income country with the GNP per capita exceeding 9,266 USD for 1999 or having a development index (DI) exceeding level -1 (see Table 2). South Korea, Hong Kong, and Singapore graduated from all sectors in 1998 (UNCTAD, 2002b: xvii).

Table 2 EU: Calculation of the GSP cut using DI and SI (unit: level)

| Development Index (DI) | Specialisation Index (SI) |
|---|---|
| Greater than level -1 | Greater than or equal to level 1 |
| Between level -1 and level -1.23 | Greater than or equal to level 1.5 |
| Between level -1.23 and level -1.70 | Greater than or equal to level 5 |
| Between level -1.70 to level -2 | Greater than or equal to level 7 |
| Less than level -2 | No GSP cut |

Source: Bureau of International Economics and Trade Research. (1999). *EU and US GSP*. Bangkok: Ministry of Commerce, 7.

In Thailand, the cause of GSP suspension belonged to the category of the "country-sector graduation" (UNCTAD, 2002b: xvi). This means that certain countries are excluded from the GSP benefit for specific products, such as shrimp belonging to the aquaculture sector. The application of country-sector graduation is based on criteria specified by applying a multi-annual scheme of GSP, such as the recent Council Regulation 980/2005 of 27 June 2005 covering 1 January 2006 to 31 December 2008 (European Commission, 2006c). According to the European Commission, the country-sector graduation criteria combine the exceeding DI with one of two variables: an exceeding lion's share clause or a sector specialisation index (SI) exceeding the threshold corresponding to that country's DI (UNCTAD, 2002b, xvi). The lion's share clause implies that the country's level of imports of all products of the sector concerned exceed 25 percent of the imports of the same products from all GSP recipients (UNCTAD, 2002b: xvi). The DI of the beneficiary country is calculated using the country's per capita income and the level of its exports compared with those of the community (UNCTAD, 2002b: xvi). According to the regulation, the necessary level towards sector graduation is a DI level higher than level -2 (see Table 2). The SI is based on the ratio of a beneficiary country's share of total EU imports in a given sector to its share of total EU imports in all sectors (UNCTAD, 2002b: xvi). Therefore, the larger the sectoral proportion compared to the general proportion, the greater the SI. A detailed calculation of the relationship between DI and SI (see Table 2), as well as the way the Commission classifies products into one particular sector, seems to be very complicated and may lead to confusion.

Within the GSP scheme, LDCs receive an extra benefit, the "Everything But Arms" (EBA) initiative, which allows unrestricted duty-free access to all LDC products excluding arms (UNCTAD, 2002b: viii; European Commission, 2004). The revised EBA scheme in Regulation 416/2001 includes duty-free for all agricultural products except for rice, bananas, and sugar, in which the full tariff liberalisation on these three sensitive products are carried out during a transitional period (Coleman *et al.*, 2004: 126). This additional preference is for LDCs that were not included in the ACP, namely Afghanistan, Bangladesh, Bhutan, Haiti, Laos, Maldives, Nepal, and Yemen. These LDCs countries received extra privileges equivalent to the preferences the ACP received. The observation in the EBA initiative is that sometimes the preferences have been given to specific countries, although there were no exports of such products from them (Bureau of International Economic and Trade Research, 1999). The products were just included in the GSP as a political gesture to a particular country, which could have a plan of production in the future.

Apart from the extra preferences to the LDCs, special treatment is given to the Andean Group (Bolivia, Colombia, Ecuador, Peru, and

Venezuela) and the Central American Common Market (Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and Panama), which conduct programmes against drug production and trafficking (UNCTAD, 2002b: xx). Article 10 of Regulation 2501/2001 provides duty-free entry for most of the agricultural products from these countries. Limited restrictions on agricultural products have been enacted against shrimp, for which the tariff was reduced to 3.6 percent (UNCTAD, 2002b: xx). The extra incentive was also given to countries complying with labour and environment standards, according to Title III of the Regulation. Countries that comply to these standards receive, for example, an extra reduction equal to 5 percentage points of the *ad valorem* duty on top of the existing 3.5 percentage points received from the ordinary GSP (UNCTAD, 2002b: xxii). The EU's required social standards had to be in line with International Labour Organization (ILO) Convention Nos 29 and 105 on forced labour, Nos 87 and 98 concerning the application of the principles of the right to organise and bargain collectively, Nos 100 and 111 on non-discrimination in respect to employment and occupation, and Nos 138 and 182 concerning minimum age employment in order to prohibit child labour (UNCTAD, 2002b: xxi). In terms of environment, GSP recipients were required to follow the international standards concerning sustainable management of tropical forest (UNCTAD, 2002b: xxii). Thus, the GSP scheme was linked closely to both trade and non-trade issues, making the trade assistance more conditional.

The EU GSP includes a safeguard clause. The MFN duty or normal GATT tariff on a particular product may be "reintroduced at any time at the request of a member state or on the Commission's own initiative if the product imported caused or threatened to cause serious difficulties to a Community producer of like or directly competing products, or to cause serious disturbance to the Community market" (UNCTAD, 2002b: xxviii). There would be a temporary withdrawal of the GSP scheme, although the withdrawal would not be automatic. EU member states must make complaints to the Commission, which must investigate the issues and determine the withdrawal of GSP by the QMV under the committee for GSP. According to Article 26 of Council Regulation 2501/2001, GSP treatment may at any time be temporarily withdrawn in whole or in part in the following circumstances (UNCTAD, 2002b: xxvi):

- Practice of any form of slavery and forced labour as defined in the Geneva Conventions of 25 September 1926 and 7 September 1956 and ILO Conventions Nos. 29 and 105
- Export of goods made by prison labour
- Serious and systematic violation of the freedom of association, the right to collective bargaining, or the principle of non-discrimination in respect to the employment and occupation or use of child labour as defined in the relevant ILO Conventions
- Manifest shortcomings in customs controls on the export or transit of drugs or failure to comply with international conventions on money laundering
- Fraud and irregularities or systematic failure to comply or ensure compliance with the rules of origin of products and to provide the administrative cooperation as required for the implementation and the control of this regulation

- Manifest cases of unfair trading practices on the part of a beneficiary country, in which case the withdrawal shall be in full compliance with the WTO rules
- Manifest cases of infringement of the objectives of the international conventions relating to the conservation and management of fishery resources

Apart from problems of GSP criteria discussed herein, the GSP allocation is uncertain in which the revision of each EU GSP allocation round was not consistent. Sometimes the GSP was revised after three years or more, compared to the US GSP, which was revised yearly (Bureau of International Economics and Trade Research: 1999: 4). This created uncertainty in the GSP and made hurdles for exporters in planning for production targets and export quantities. Moreover, the criteria for suspending the GSP are complicated, involving the calculation of many indicators rather than using only national income and performance based on EU market shares. The complication reflects the unfair cut of GSP in Thai shrimp, as explained in the next section.

## 5.2 EU GSP suspension of Thai shrimp, 1997-2005

Prior to the suspension of the GSP allocated to Thai shrimp, Thailand relied mostly on the GSP on manufactured products from developed countries, particularly the EU, the United States, and Japan as the early introduction of GSP schemes from those countries in the 1970s. These three major markets granted over 90 percent of the total GSP Thailand received (Bureau of International Economics and Trade

Research, 1999: 3). Thai exports depended on the EU GSP more than other GSP donors. Food products exported to the EU that used primarily the GSP included frozen and processed shrimp and canned pineapples (Bureau of International Economics and Trade Research, 1999: 3). The GSP allocated to Thailand was cut due to the calculation of economic indicators (see Section 5.1), in which tariff reductions on agricultural and food products were cut by 50 percent between 1 January 1997 and 31 December 1998 and 100 percent from 1 January 1999 onwards (Bureau of International Economics and Trade Research, 1999: 3). According to the EU calculation, Thailand had a DI at level -1.22, so the cut of GSP affected products with SI greater than or equal to level 1.5 (see Table 2). Thus, nine products exported to the EU under this calculation had their GSP benefit cancelled. Three out of nine were agricultural products, namely aquaculture, fruit and vegetables, and processed food (Bureau of International Economics and Trade Research, 1999: 2-3). In aquaculture products, Thailand was the only country withdrawn from the GSP. For fruit and vegetables, the GSP was removed from Thailand together with Chile and Mexico. For processed food, Thailand's GSP was withdrawn together with Argentina and Brazil (Nujarin, 2004b: 42). Aquaculture products and processed foods previously relied upon the GSP to the tune of between 80 and 100 percent, while fruit and vegetables were exported under the GSP less than 10 percent only (see Table 3). Thus, fruits and vegetables were not greatly affected by the GSP cut as they required a small amount of GSP. In addition, on 1 January 2003, fruits and vegetables received the GSP benefits back. For processed food, canned pineapple was the most affected; other processed food products received less impact.

Aquaculture, especially shrimp, is the sector for which Thai exporters most need GSP to compete in the EU market. Thailand's sector really utilised the GSP benefits at 92.83 percent of the total export (see Table 3), which was contrary to other EU ex-colonial states, who received GSP in products that could not be utilised in full due to the limited capabilities of production or due to the fact that some products that received GSP had never been produced in their own countries (see Section 4.1). The cut of GSP in this sector and others indicated that Thailand received little in the way of GSP benefits in agriculture and food products. During the 50 percent GSP cut in 1997 and 1998, the value of aquaculture exports was slightly reduced to between 1.7 percent and 2.2 percent respectively of the value of 1996, the year under full GSP (Bureau of International Economics and Trade Research, 1999: 11). With the total (100 percent) GSP cancellation in aquaculture in 1999, the value of aquaculture exports was reduced to 29.2 percent of the value in 1996 under the full GSP scheme (Bureau of International Economics and Trade Research, 1999: 11). Among aquaculture products, frozen shrimp was most affected as EU importers turned to order the products from major competitors like Brazil, China, India, Pakistan, and Indonesia, which still received the full GSP benefit.

Table 3 Thailand: Previous use of GSP in the three groups of agricultural exports affected by the 50 percent GSP cut, 1996-1998 (unit: million USD)

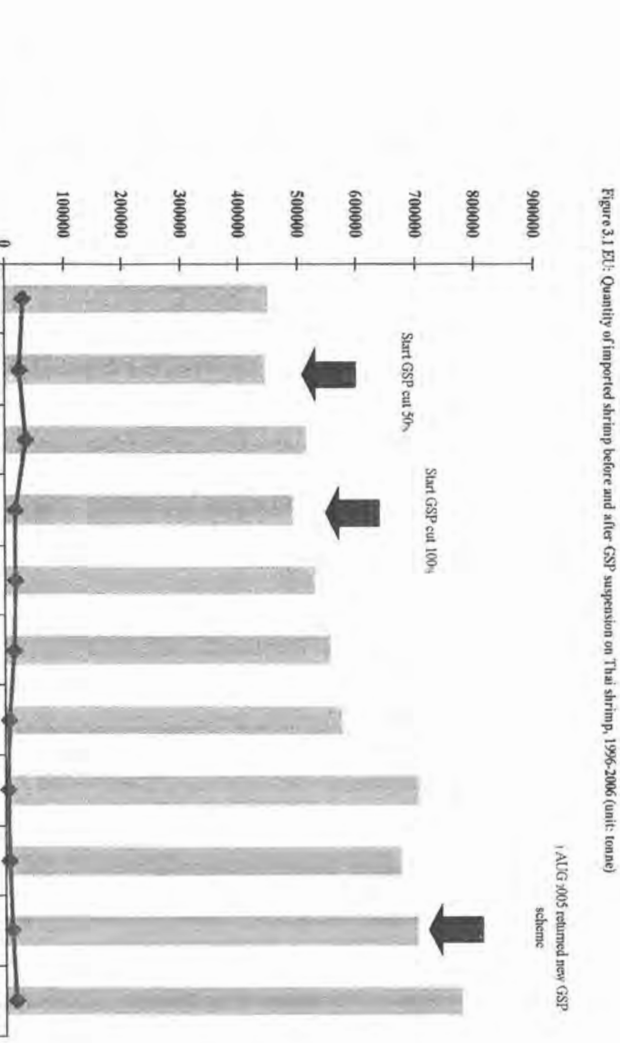
| :ategory | 1996 | | | 1997 (50 percent cut) | | | 1998 (50 percent cut) | | |
|---|---|---|---|---|---|---|---|---|---|
| | GSP | Exp. | % | GSP | Exp. | % | GSP | Exp. | % |
| uaculture | 429.5 | 462.7 | 92.83 | 408.7 | 470.5 | 86.9 | 499.4 | 460.2 | 108.5 |
| iits and ables | 28.16 | 447 | 6.3 | 30.72 | 358.4 | 8.57 | 32.17 | 255.5 | 12.59 |
| ıcessed | 306.7 | 350.7 | 87.46 | 298.1 | 320.1 | 93.13 | 301.6 | 316.5 | 95.31 |
| (GSP cut ıct) | 764.4 | 1260 | 60.65 | 737.6 | 1149 | 64.19 | 833.3 | 1032 | 80.73 |
| ıltural cts | 43.3 | 798.6 | 5.42 | 59 | 731.2 | 8.07 | 50.6 | 722.9 | 7 |
| ıltural cts ted to the ) | 807.7 | 2059 | 39.23 | 796.6 | 1880 | 42.37 | 883.9 | 1755 | 50.36 |
| ıltural cts :ed ly (2) | 14777.9 | | | 13927.4 | | | 12241.4 | | |
| 2) | 0.14 | | | 0.14 | | | 0.14 | | |

* Ext. = Export, % = Percent

Source: Bureau of International Economics and Trade Research. (1999). EU and US GSP. Bangkok: Ministry of Commerce, Appendix 4.

The cancellation of the GSP allocated to Thailand from the calculation of DI and SI resulted in very confused and complicated criteria and could be perceived as an unfair trade barrier. Thailand was the only developing country not under the GSP on shrimp and aquaculture, as mentioned earlier. It is questionable what made the EU cancel the GSP for Thai shrimp other than the calculation of the economic index. If we consider each specific criterion involved in allocating the GSP, Thailand did fit within the EU's criteria of GSP allocation. In terms of Gross National Products (GNP) per capita, Malaysia—a former British colony and Thailand's Southeast Asian neighbour and higher middle income country with a much higher GNP per capita than Thailand—has continued to receive the GSP for shrimp, while Thailand, the lower middle income country, received none of the privileges. Considering market share indicators, the EU will not give the GSP for products for which the country has more than a 25 percent market share of imports in the EU. Thailand's shrimp under GSP (pre-1997) had a smaller than 10-percent share in the EU's shrimp imports (31,939 tonnes out of a total 449,920 tonnes) (see Figure 1). After the first year of the full GSP withdrawal (1999), Thailand's share of EU's shrimp imports was reduced to 18,099 tonnes, less than 5 percent of the market share of the total extra-EU shrimp imports of 492,623 tonnes (see Figure 1). From 2002 to 2004, when Asian and South American shrimp were found to have traces of residue by the EU's new detection method, Thai shrimp's share declined to only 1 percent of the EU's total shrimp imports (see Figure 1).

Figure 1 EU: Quantity of imported shrimp before and after GSP suspension on Thai shrimp, 1996-2006 (unit: tonnes)




| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Import | 449920 | 444489 | 514504 | 492623 | 528314 | 554322 | 575011 | 704603 | 673825 | 703473 | 776042 |
| Imported from Thailand | 31939 | 24268 | 34856 | 18099 | 17945 | 14659 | 7224 | 5181 | 7778 | 12150 | 17213 |

Source Udom, Charuywilaskul (2007) Thailand's shrimp exports. Research Paper Bangkok: Asian Institute of Technology. TTechnoloTechnology.

Regarding the extra preference on top of the GSP, the EU considers the effort of developing countries in the fight against drugs to be one indicator for GSP. Thailand was criticised of adopting a hard-line stance by human rights activists and media on the execution of drug dealers. Thailand's policy of the "war on drugs" led to the killing of innocent people by the police without prior investigation (Hewison, 2004: 511), since the police wanted to get rid of as many drug dealers as possible in order to show that they were being tough. On the contrary, the EU continues to give extra benefits to Andean countries, which are notorious for governments that have made no effective effort at suppressing drug businesses. The only implementation of the Andean countries that matched the EU requirement is the readjustment of domestic legislation to those of the EU (see Section 5.1). The effectiveness of policy implementation is still in question.

The differences between having full GSP, having half GSP, and having no GSP were more tremendous for shrimp than other aquaculture commodities (see Figure 1). Udom Chariyavilaskul, First Vice-President of the (TFFA) asserts that shrimp should be considered separately in regards to the GSP allocation from other commodities in the aquaculture sector. Modern shrimp business relies mostly on farming rather than wild catching, like other products in the aquaculture sectors. The impact of GSP on shrimp was, thus, greater than other products in the same group as it negatively created socio-economic impacts on Thailand's shrimp farmers rather than large companies operating wild-catching vessels. As the largest shrimp exporter to the United States, in 1997 the American market for Thai shrimp expanded to 16.43 percent while the EU markets dropped to 17 percent (Thammavit & Chanin, 1997: iii). The decline of export value of Thai frozen shrimp between 1998 (50 percent GSP) and 1999 (no GSP) was -59.56 percent (see Table 4). Although fresh and chilled squid value seemed to decline more than shrimp, the value of export was insignificantly small (see Table 4). Thailand's existing small market share in shrimp, added to the GSP suspension, created opportunities for countries in South America. Brazil, Argentina, and Ecuador, for instance, replaced Thailand in the major supplier rank (Udom, 2005b). Recently, in 2005 alone, Vietnam—the ASEAN neighbour and former French colony—exported shrimp valued at 32.3 million Euro, which had increased 220 percent from the previous year (Office of Agricultural Affairs, 25 August 2005: 1). Moreover, Thailand's branded product on black tiger shrimp was replaced by the Seychelles Islands, former French colonies.

GSP withdrawal from Thailand's shrimp was believed by the Thai private sector to benefit some EU member countries, especially France, as it was suspected that France was behind the push for GSP withdrawal (Udom, 2005a). In this regard, France has invested in a number of seafood-processing businesses in its former colonies in the Caribbean. Udom (2005a) expressed the concern that French seafood-processing companies may not be able to keep up with Thailand's great performance in the US shrimp market, in which Thailand occupies the largest share of shrimp products, especially cocktail shrimp. Consequently, products from the ACP controlled by French companies could not compete in the US market. Thus, French companies lobbied the Commission as an indirect retaliation against Thailand's good performance in the US market. If the suspicion from the private sector were true, the grounds for lobbying would be unfair as the problems of competition occurred outside Europe and the products in competition differed. The argument of France's influences on GSP was also supported by Emeritus Professor Piamsak Menasawet, a Thai fishery expert, behind the cut of GSP (Piamsak, 2005). However, French import companies complained that less Asian shrimp entered the EU due to the residue detection's making it difficult for importers to find suppliers elsewhere. Thus, it seems that there has been strong demand for Thai shrimp from the French side as well.

Table 4 Thailand: Value of aquaculture products before and after the GSP cut, 1996-1999 (unit: million USD)

| Products | MFN (%) | 1996 | 1997 (50% GSP cut) | 1998 (50% GSP cut) | 1999 (100% GSP cut) | Percent change from 1998 to 1999 |
|---|---|---|---|---|---|---|
| Aquaculture products | | | | | | |
| Frozen shrimp | 12, 13.2 | 163.07 | 125.34 | 140.90 | 56.98 | -59.56 |
| Fresh/chilled shrimp | 12, 13.2 | 1.78 | 1.50 | 0.98 | 0.92 | -6.45 |
| Processed shrimp | 20 | 81.02 | 73.24 | 65.23 | 49.49 | -24.12 |
| Frozen crab | 7.6, 9 | 0.05 | 0.00 | 0.01 | 0.00 | 0.00 |
| Fresh/chilled crab | 7.6, 9 | 0.22 | 0.07 | 0.01 | 0.00 | 0.00 |
| Frozen squid | 6, 6.4, 8 | 37.51 | 56.82 | 56.12 | 35.25 | -37.19 |
| Fresh/chilled squid | 8 | 0.06 | 0.14 | 0.63 | 0.09 | -85.29 |
| Processed fish | 15.2 | 36.39 | 36.77 | 24.31 | 20.85 | -14.24 |
| *All products* | | *320.10* | *293.88* | *288.89* | *162.32* | *-43.81* |
| *Total of all aquaculture products* | | *462.66* | *470.54* | *460.16* | *308.72* | -32.91 |

Source: Bureau of International Economics and Trade Research. (1999). *EU and US GSP*. Bangkok: Ministry of Commerce, Appendix 5.

In conclusion, the EU's GSP allocated to the agricultural sector did not truly benefit Thailand's trading position. Although Thai farm products are eligible to obtain EU preferences, according to most of the criteria set by the European Commission, a single unclear economic calculation and confused criterion led to the GSP being totally withdrawn from Thailand's major food products, particularly aquaculture products. The criteria set for GSP suspension created a very technocratic problem that jeopardised Thai shrimp exporters, which have a different nature of business connected to small farmers than other commodities in the aquaculture sector. Although the Thai shrimp's share in the EU market has been very small, shrimp was included in the aquaculture sector with other seafood products that had larger shares in the EU market but with insignificant volume. Moreover, the European Commission seems to see Thailand's performance at the global level, not the European level, which was totally out of the EU criteria of considering the performance within the EU market.

## 5.3 Team Thailand and the regaining of EU GSP in 2005

As discussed earlier, the GSP suspension of Thai shrimp adversely impacted shrimp farmers as shrimp business in Thailand relies largely on farming (see Sections 5.2). The Thai private sector in the shrimp business formed numerous countermeasures against the European Commission's suspension of GSP. First of all, protest rallies urged the Thai government and Thai Airways International Public Company Limited to cancel the purchase of Airbus planes from European companies (*ShrimpNews*, 2003). Second, the protesters emptied imported European wine, particularly French wine, on the road to show their disapproval of the EU measures (*ShrimpNews*, 2003).

On the official side, the Thai government uses two channels to communicate with the EU on trade disputes: Team Thailand led by Thai representatives in Brussels and the EU-Association of Southeast Asian Nations (ASEAN) dialogue. Team Thailand, or the CEO Executive Committee in Brussels that aimed to bring the GSP back to the aquaculture sector, particularly Thai shrimp, was composed of the Royal Thai Embassy in Brussels serving as Thailand's Permanent Representatives in the EU as well as other governmental offices in Brussels, including Thailand's Office of Commercial Affairs, Thailand's Office of Custom Affairs, Thailand's Office of Science and Technology Affairs, and Thailand's Office of Agricultural Affairs (see Section 2.3.2). For the latter channel, Team Thailand and the ASEAN Brussels Committee (ABC), comprising ambassadors from ASEAN countries in Brussels, try to work out a joint position before the ASEAN-EU meeting (Dosch, ).

Team Thailand's effort to bring back GSP was very active starting the end of 2004. On 10 December 2004, Team Thailand met Karl Friedrich Falkenberg, Director of Directorate-General (DG) Trade, who was responsible for GSP schemes. Falkenberg reaffirmed that Thai shrimp would get the GSP back by quoting that "we are reasonably clear that there will not be difficulties with the Council on this approach"; he also said that "Thailand would be among winner countries" (Thailand's Delegation in the European Community, 12 July 2005). Falkenberg added that, if the council quickly considered the issue, the GSP could take effect from 1 July 2005 to the end of 2005. In this regard, Team Thailand urged

Thailand's Foreign Ministry to lobby governments of the EU members in order to reduce risks that might impact Thailand's prospects of getting the GSP back (Thailand's Delegation in the European Community, 12 July 2005).

On 26 December 2004, the tsunami struck, affecting Thailand as well as other Asian countries. Team Thailand seized the opportunity to push for the return of GSP using the tsunami as the natural disaster expanded into the destruction of shrimp farming in the coastal areas of the Asian countries affected. In January 2005, Team Thailand started visiting the European Parliament's (EP) Foreign Affairs Committee to supply information on the tsunami and its impact on shrimp farmers in order to quicken the process of the GSP decision (Thailand's Delegation in the European Community, 12 July 2005). Moreover, Team Thailand approached the heads of European Parliamentarians, European high-ranking government elites, and heads of relevant committees of the EP. The visit mainly aimed at the rescheduling of the GSP to be earlier than 1 July 2005 through the council and EP meeting. Team Thailand also used the strategy of joining with ambassadors from countries affected by the tsunami—namely, Malaysia, Indonesia, Sri Lanka, and India. However, Thailand pushed for the return of GSP in exchange for technical and financial aids, which other tsunami-affected countries did not seek because other tsunami-affected countries had already received GSP privileges in the aquaculture sector. Team Thailand also approached European non-governmental organizations (NGOs) that took part in tsunami restoration in Asia in order to act in parallel to put pressure on the EU (Thailand's Delegation in the European Community, 12 July 2005).

During February 2005, the EU gave false hope to the Thai side by promising the return of GSP earlier than the initially scheduled date of 1 July 2005. On 10 February 2005, the European Commission formally declared that it had proposed a quickened release of the new GSP scheme, which would take effect from 1 April 2005 for the countries affected by the tsunami, which included Thailand, the Maldives, Sri Lanka, and Indonesia (Thailand's Delegation in the European Community, 12 July 2005). On 10 March 2005, Maria Mercedes Garcia Perez, a secretary for the GSP working party, informed Thailand's EC delegation in Brussels that the new scheme of GSP had passed EP's Foreign Affairs Committee and International Trade Committee and that the result of the GSP discussion was "positive, with no member states objecting to changing the release of the GSP scheme from 1 July 2005 to 1 April 2005" (Thailand's Delegation in the European Community, 12 July 2005). However, the Thai side was later informed that the General Affairs and External Relations Council (GAERC) "still couldn't reach an agreement, since some member states opposed the proposal" (Thailand's Delegation in the European Community, 12 July 2005). On 1 April 2005, the schedule of GSP release as set by the European Commission failed.

EU member states' opposition to the release of the GSP scheme derived from unsettled textile issues with China and India, which were tensely discussed by France, Italy, Spain, Portugal, Greece, the Czech Republic, Poland, Hungary, and Lithuania (Thailand's Delegation in the European Community, 3 May 2005). These EU members tried to bargain on the protection of their textile businesses and protectionism against the textiles from India and China. The textile negotiation had stopped discussion of other agricultural products, particularly shrimp and aquaculture. The idea of a degraduation package to assist tsunami-affected countries by separating the GSP on aquaculture from the controversial textile issue was still pending (Office of Commercial Affairs, 12 May 2005). On 22 April 2005, Don Paramatvinai, Head of Team Thailand, and ambassadors from other ASEAN countries met Mogens Peter Carl, DG Trade, to push for a GSP solution that had been delayed from the previous schedule as a result of the unresolved textile issue. The Thai ambassador suggested that the EU divide the GSP issue into two packages: the settled issues and non-settled issues. Carl explained that the Commission had already tried to separate the problems, but some member states had rejected the proposal. The Commission representative still gave hope that the negotiations would produce a solution before July 2005 at the latest in order to make the GSP effective from the first schedule set at 1 July 2005 (Thailand's Delegation in the European Community, 28 April 2005). Moreover, EU Trade Commissioner Mandelson, during a visit to Thailand, gave an interview to the media reiterating that the return of the GSP would benefit Thailand's exports, particularly aquaculture products.

The decision entailed a lengthy process, as the Commission could not specify the exact date of GSP finalisation, either 1 July 2005 or 1 January 2006. The Commission officer admitted that EU member states were concerned more with their own textile sectors, which made the tsunami event a lower priority for the time being (Thailand's Delegation in the European Community, 3 May 2005). Team Thailand diverted the agenda for compensation for the waiting time for GSP by instead asking for the benefit for the vehicle parts sector while waiting hopelessly for the EU. However, the Commission responded that it "could not accord

Thailand everything" and quoted Trade Commissioner Mandelson saying during the visit to Thailand in April 2005 that the new round of GSP would make Thailand one of the biggest winners, who would benefit to the tune of 1.2 billion Euro (Thailand's Delegation in the European Community, 3 May 2005). The benefit would be on six items of major export products from Thailand—namely, aquaculture, processed food and beverages, plastic and rubber-made products, shoes, glassware, and ceramics. Thus, after numerous meetings and negotiations, the tsunami cause proved to be a very low priority compared to the aim of protectionism by individual EU member states.

Political obstacles were also important. The EU members wanted to discuss the GSP issue after the result of the referendum on the new European Constitution in France before 29 May 2005 (Thailand's Delegation in the European Community, 3 May 2005). In terms of passing the GSP, a 71 percent QMV was needed to pass the new GSP round. Thus, the Commission could not push the agenda further. This QMV depended on individual EU members; the countries that still opposed the draft of GSP accounted for more than 29 percent, led by France with the biggest vote count in the opposition group (Office of Commercial Affairs, 12 May 2005). Moreover, the domestic elections in Germany also hindered the GSP process apart from the conflicting textile issues and referendum for the EU Constitution. On 2 May 2005, Team Thailand and Chrysantha R. Jayasinghe, the Sri Lankan Ambassador in Brussels, formed a group of ambassadors from countries in South Asia, East Asia, and Southeast Asia in Brussels (SAFESEA: South Asia, Far East and Southeast Asia). José Manuel Barroso, President of the European Commission, was asked during a SAFESEA working lunch whether the

GSP could be released in time for the first scheduled date (1 July 2005). He gave the opinion that the GSP could take effect in "a matter of weeks" (Thailand's Delegation in the European Community, 12 July 2005).

After meeting with representatives from DG Trade and DG RELEX, Team Thailand immediately reported the GSP situation to Thailand's Foreign Ministry and all Thailand's embassies in EU countries. Team Thailand expressed concerns that the direct lobby on EU Trade Commissioner Mandelson and high-ranking officers in DG Trade and DG RELEX might not be enough (Thailand's Delegation in the European Community, 12 July 2005). Team Thailand also suggested that foreign representatives in individual EU member countries should also help lobby EU member states in the Committee of Permanent Representatives (COREPER) in order to be of parallel assistance to Team Thailand. As the GSP issue was still under the COREPER meeting, on 20 June 2005, Team Thailand met Deputy Director Jounjean to urgently push for a degraduation package for tsunami-affected countries and submitted an ASEAN Aide Memoire (Thailand's Delegation in the European Community, 12 July 2005).

Team Thailand started to draft a special clause for tsunami-affected countries to be provided separately to Trade Commissioner Mandelson. This act, to some extent, impacted the Commissioner, who called for a meeting on DG Trade on 22 June 2005 for brainstorming and "looking at all possibilities" to find the "specific solution" for Thai shrimp (Thailand's Delegation in the European Community, 12 July 2005). The specific solution would be in the form of "autonomous measures" for setting import tariffs for Thai shrimp, which would be in effect from September/October 2005 until 31 December 2005 (Thailand's Delegation in the European Community, 12 July 2005). The proposal would be a special case for Thai shrimp, considering the urgency of the issue. On 23 June 2005, Thailand's EC Delegation submitted Thailand's Position Paper on GSP to the EU urging the application of a degraduation package to be effective by July 2005 (Thailand's Delegation in the European Community, 12 July 2005). The paper also suggested that Trade Commissioner Mandelson take action and defend the issue of Thailand's interest in the council meeting on 27 June 2005 as he had been involved in the issue from the beginning.

The GSP issue was not resolved in time for the first scheduled date the EU had promised: 1 July 2005. However, Team Thailand—this time led by the Commerce Ambassador—kept pushing EU member states' representatives in COREPER such as Italy and France to support autonomous measures for a specific solution for Thai shrimp. Director Falkenberg stated that the proposal would most likely take effect on 1 August 2005 (Thailand's Delegation in the European Community, 15 July 2005). Finally, on 15 July 2005, Director Falkenberg informed the Royal Thai Embassy in Brussels that the autonomous measures had been approved by Committee 133 and would cover the shrimp imported from Thailand starting 1 August 2005. Shrimp exporters would be reimbursed the import tariffs paid from that time. The Council of Ministers approved the Council Regulation on the reduction of import tariffs for Thai shrimp to be equal to the GSP tariff. The regulation would be published in the EU Official Journal on 12 September 2005 but would be retroactively effective starting 1 August 2005. The new GSP received would reduce the tariff for Thai shrimp from 12 percent to 4.2 percent on frozen shrimp and from 20 percent to 7 percent on cooked shrimp (Bureau of

Agricultural Economics Research, 2007b; Thailand's Delegation in the European Community, 28 July 2005). In this regard, there would be no quota on import quantity.

In conclusion, Team Thailand's efforts to bring back GSP on shrimp were quite active during the year before the new GSP became effective in 2005. Team Thailand tended to use the means of regular protocol visits to superior EU persons, combined with the use of the tsunami incident as a humanitarian request for affected Thai shrimp farmers from the EU. However, the process was hindered by the EU's internal political factors, leading to the interests of individual member states to prevail, such as the protection against the textile sector and the settlement of an internal political referendum and election. Therefore, the GSP previously reduced and cancelled on Thai shrimp in 1997 was restored eight years later.

## 6. Conclusion

The paper has emphasised how old protectionism was employed in the case of Thailand's agricultural and food exports to the EU. As discussed, this old protectionism was characterised by several factors, including colonial ties and complications in EU integration, which made it challenging to find a common position in foreign economic policy. Due to this old protectionism, Thailand faced trade competition at many levels and in several directions. Apart from competing against major agricultural and food exporters alike, Thai exporters had to compete amidst European price supports in which the CAP imposed a very large budget to support intra-European products. In the case-study of manioc, the Commission's policy of trying to limit the quantity in importing manioc from Thailand was clearly evident. VERs undoubtedly violated the GATT principles and remained illegal for three years. The declining quota was unfair in that it required Thailand to limit its own manioc industry while the European Commission did little to solve its intra-community cereal problems. Moreover, different treatment in regards to Thailand's manioc compared with products from EU former colonies like Indonesia and Brazil was explicitly observed in terms of the downward trend of quotas distributed to Thailand and how the European Commission under-graded the quality of manioc from Thailand. Therefore, competition was not on a fair basis, but rather involved historical factors through colonial ties, which have continued to influence trade relationships.

Post-colonial economic policies of the EU are designed by the small segments of the European society, especially European bureaucrats and the European Commission. The policies supporting European and former colonies' producers and jeopardising European consumers' benefit suggest that the EU institutions, to some extent, have succeeded in representing a larger Europe. As witnessed through the EU's ranking hierarchies of trade preferences, the GSP allocation was greatly influenced by historical ties and political interests. The GSP or tariff exemption and reduction depended on the historical closeness and political interests the EU had for specific countries. The EU's support for sugar stemmed from the ACP, although it created overpricing of sugar for European consumers. This subsequently led to the GSP cancellation of Thai products with sugar contents, especially canned pineapple. Moreover, the GSP was occasionally given to a sector that had not been started or cultivated in specific countries, suggesting that the political will by EU member states to maintain relationships with their former colonies superseded the material economic interests for the EU member states even after decolonisation. Such close ties could be seen in the ties between France and African countries, Britain and the Commonwealth, and Spain and South America. However, EU countries' former colonies in Southeast Asia did not receive preferences equal to other ex-colonies, although they were still more privileged than Thailand as a non-colonised state. Moreover, the EU's former colonies influenced EU policy regarding the GSP allocation to third-party countries when the ACP Secretariat recommended cutting GSP related to Thailand's specific products.

GSP criteria of allocation were mostly determined by non-trade issues, such as environmental rules, labour protection, and the performance of anti-drug policies by EU trading partners. The EU calculation of economic indexes remains very unclear in accurately representing the performance of a specific country. This calculation led to the cancellation of the GSP in Thailand's three major food products: aquaculture, fruit and vegetables, and processed foods. The DI/SI calculation put Thailand in a difficult position despite Thai products passing the criteria of a very small market share, a very low GNP per capita, and other social clauses under the third GSP scheme, as discussed herein. However, the WTO rules and DSB could not get involved as VERs and GSP were beyond the WTO's jurisdiction.

Although most of the Third World countries are independent, some continuity exists between the colonial and post-colonial periods. The major European powers still favour their ex-colonies through international aid and preferences. Although multilateral aid efforts have been established by the United States and international organisations and European integration remains the most promising multilateral grouping in Europe, the European states are keen to use the EU institutions as a place to embrace their ex-colonies within Europe's sphere of influence. Colonial ties could create either of two impacts: 1) the rational foreign policy-making towards Thailand without EU member states' influence or 2) structural protectionism by the EU to protect the interests of its particular members, associated members, and the more preferred developing countries and LDCs. This paper has suggested that, for the time being, the second impact seems more likely than the first. Post-colonial relationships create difficulties for Thailand's food exports to the EU, and the situation is liable to deteriorate as a result of the eastward enlargement, in which existing bilateral trade with Eastern Europe will be incorporated into single rules in the union.

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