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MASTER'S THESIS

**THAILAND IN REGIONAL
AND BILATERAL
FREE TRADE AGREEMENTS**

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DECLARATION:

I hereby declare that this thesis is my own work, based on the sources and literature listed in the appended bibliography. The thesis as submitted is 232,504 keystrokes long (including spaces), i.e. 154 manuscript pages.

Chalakorn Rattanaphan

16th January 2009

ABBREVIATIONS

APEC:	Asia-Pacific Economic Cooperation
ASEAN:	Association of Southeast Asian Nations
AFTA:	ASEAN Free Trade Area
FTA:	Free Trade Agreement or Free Trade Area
WTO:	World Trade Organization
GATT:	General Agreement on Tariffs and Trade
RTA:	Regional Trade Agreement
BIMST-EC:	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
EU:	The European Union
AEC:	ASEAN Economic Community
PTA:	Preferential Trading Arrangements
CEPT:	Common Effective Preferential Tariff
IL:	Inclusion List
TEL:	Temporary Exclusion List
SL:	Sensitive List
HSL:	Highly Sensitive List
GE:	General Exception List
HS CODE:	Harmonized Commodity Description and Coding System
JTEPA:	Japan-Thailand Economic Partnership Agreement
TAFTA:	Thailand-Australia Free Trade Agreement
CEP:	Closer Economic Partnership
CIPIH:	Commission on Intellectual Property Rights, Innovation and Public Health
CER-FTA:	Closer Economic Relations Free Trade Agreement
PCA:	Partnership and Cooperation Agreement
ENP:	European Neighborhood Policy

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Chapter 1

Introduction

Thailand and Free Trade Agreements

After the introduction of Industrial Promotion Act in 1972, Thailand's economy has been transformed from import substitution to export-oriented economy which resulted in Thailand's position as one of the fastest growing economies in the world with an average real GDP growth rate of 11.5 percent between 1986 and 1990.¹ In order to drive Thailand to match up with the rest of the liberal and advanced economies, Thai governments attempted to initiate and implement many market-led reform programs continuously. After the financial crisis took place in 1997, Thailand suffered greatly but the Thai government still insisted on having liberal and market-driven economy.

In responding to the crisis, the Thai government resisted protectionist measure which was widely employed by many countries as a tool for economic recovering. The Thai government continued its implementation of trade and investment liberalization programs including streamlining import and export procedures, improving transparency in customs practices, continuation of tariff reduction, strengthening anti-corruption regime, privatizing state-owned enterprises, introducing competition law, modifying intellectual property legislation, etc.²

Apart from the abovementioned measures undertaken by the government, the most distinct action initiated by Thailand which was, later on, proved to be the most significant gesture to the Southeast Asian region is the fact that Thailand included a regional cooperation into its programs and encouraged the neighboring countries to voluntarily

¹ Pawin Talerngsri and Pimchanok Vonkhorporn. Trade Policy in Thailand: Pursuing a Dual Track Approach. *ASEAN Economic Bulletin*, Vol. 22, No. 1, (April 2005), ABI/INFORM Global pp. 60-74

² Pawin Talerngsri and Pimchanok Vonkhorporn, *ibid.*

cooperate and form some sort of regional trading partners in order to help expand the export markets for the member countries and also to strengthen a position of the region as a bargaining group in the world trade arena.

Given the fact that Thailand's main characteristics in the country's trade policy is its open economy and the goal in relation to trade policies is to prepare the country for a greater role in the world community, it is no doubt that Thailand aims to emphasize measures that focus on liberal economic policy through a free and open market mechanism. As a result, Thailand's trade policies are characterized as very proactive and ambitious which is why Thailand has actively participated in various international forums namely the Uruguay Round of multilateral trade negotiations, the Asia-Pacific Economic Cooperation forum (APEC), the ASEAN Free Trade Area (AFTA). However, given that multilateral agreements are normally and traditionally facing with difficulties and setbacks before achieving the goals, if ever. More countries have realized the importance and significance of bilateral or regional free trade agreements and have turned to use these as tools to achieve their goals.

The Thai government believes that the best way for Thailand to promote its goods, expand its export markets and aid Thai producers and consumers with new opportunities is to pursue a number of free trade agreements especially on regional level and bilateral level. As a result, the Thai government has tried to include FTAs commitment into the country's new trade strategies which is why Thailand has initiated free trade agreement deals with many of its strategic trading partners namely China, Japan, Australia, New Zealand, the United States, the Middle East and ASEAN with purposes to promote trade, seek wider export markets and also to strengthen the country's economy.³

³ Nattapol Sriphotchanat. *The Effects of Thailand-Australia Free Trade Agreement: The Case Study of Beef and Dairy Products*. Faculty of Economics, Thammasat University; Bangkok, Thailand (May 2006). <http://econ.tu.ac.th/thesis/2548/eng/NATTAPOL.pdf> (Access on September 12,2008)

On the global level, the World Trade Organization (WTO), founded in 1995, is the primary international body who plays a great role in promoting free trade among its member countries. Despite the fact that the WTO was officially founded on 1 January 1995, its trading system, known under the name of General Agreement on Tariffs and Trade (GATT), had long been established since 1947. Prior to the establishment of WTO, the General Agreement on Tariffs and Trade (GATT) was acting de facto as an organization and international forum conducting rounds of talks to encourage free trade between member countries by regulating and reducing tariffs on traded goods and by providing a common mechanism for resolving trade disputes, to address various trade issues and resolve international trade. Generally, it is obvious to state that the World Trade Organization plays a great role in laying ground-rules of free trade for its member countries but it cannot conduct any actual and practical free trade agreement among its member countries mainly due to its procedure and mechanism within the organization. On the other hand, regional and bilateral free trade agreements appear to be more popular and more practical as the agreements are dealt directly between the involving parties who are forced to conduct accordingly.

On the regional level, Regional Trade Agreements (RTAs) have become an integral feature of today's international trading system. Regional Trade Agreements play an ever-increasing role in world trade, accounting for an estimated 60 percent of global transactions today. Regional Trade Agreements are expanding in both number and scope. Currently, 197 RTAs notified with the WTO are in force; the number exceeds 300 if those being negotiated, those in the proposal stage, and ones that are signed but not yet in force are counted.⁴

⁴ Eoin Parker. Regional Trade Agreement under World Trade Organization (WTO) Rules., Department for Business Enterprise and Regulatory Reform.
<http://www.berr.gov.uk/whatwedo/europeandtrade/regional-trade/tradeagreements-wto-rules/page27097.html>
(Access on September 12,2008)

A great number of RTAs have been emerging in the last ten years and is accelerating even today. Within the WTO, regionalism is viewed as “actions by governments to liberalize or facilitate trade on a regional basis, sometimes through free-trade areas or customs unions”.⁵ In this paper, only the RTA with the Free Trade Area as a degree of integration will be analyzed and discussed. To be more specific, ASEAN Free Trade Area (AFTA) is the example of the free trade agreement with which Thailand concluded and the outcomes afterwards have appeared to be very positive and beneficial to Thailand. The deeper details will be further discussed and analyzed in the later chapter.

The last and the most popular form of free trade agreement nowadays is bilateral. Bilateral free trade agreements have been integrated into Thailand’s foreign trade strategies for the past ten years. Given that they are easier to conclude when compared to the other two forms of agreement, globally and regionally, bilateral free trade agreements have become worldwide accepted. Thailand has strongly pursued a healthy collection of bilateral free trade agreements with its trading partners all around the world. However, at early stage bilateral free trade agreements Thailand concluded with other countries namely Bahrain, India, China, the BIMST-EC countries⁶ were mainly driven by political will rather than pure economic concern. Later on, the political-driven free trade agreements had somewhat developed into the real economic-driven agreements in which Thailand has been achieving to conclude with many of its trading partners.

⁵ Eoin Parker, op.cit. <http://www.berr.gov.uk/whatwedo/europeandtrade/regional-trade/tradeagreements-wto-rules/page27097.html> (Access on September 12,2008)

⁶ BIMST-EC also known as Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation has 6 member countries namely Bangladesh, India, Malaysia, Burma, Sri Lanka, Bhutan and Nepal.

Goals and Structure

As already mentioned above, Thailand's strong liberal trade policies have driven the country to commit itself to various free trade agreements, globally, regionally and also bilaterally. In this paper, the author intends to focus mainly on two levels, regional and bilateral. As of Regional Trade Agreement, the paper will be dedicated to Thailand's participation in ASEAN Free Trade Area (AFTA). The impact of the RTA on Thailand will be assessed. For the bilateral free trade agreements, the paper will discuss only two FTAs between Thailand and Australia and Thailand and Japan. The impact of the two FTAs on Thailand will also be measured. Furthermore, the author intends to show a comparison between the two FTAs to illustrate which of the two FTAs has bestowed greater and more significant benefits to Thailand after the agreements came into being.

The purpose of this paper is to answer whether the AFTA and FTAs with Australia and Japan have truly provided benefits to Thailand or not, which sectors are considered direct benefits from the free trade agreements and which sectors are affected negatively from the agreements. Furthermore, the author's goal of this paper is to present benefits Thailand has received and reaped from the ASEAN Free Trade Area and FTA with Australia and Japan. The author mainly focuses on trade in goods, including export and import, which has been increasing since the implementation of the agreements.

The methodology used in this paper is a combination of statistical analysis and comparative analysis. Generally, the FTAs cover trade in goods, trade in services and also trade in investment but in this paper, the author aims to focus only trade in goods which can be presented through a collective of statistical data available from many sources.

The paper is divided into 4 chapters and one extra appendix. The first chapter is the introduction. The second chapter deals with Thailand's position regarding its commitment in the ASEAN Free Trade Area (AFTA). In this chapter, the author exhibits the benefits

Thailand has gained through this regional free trade agreement and how the Thai government plays significant role in committing in the AFTA. The next chapter concerns Thailand's bilateral free trade agreements with Australia and Japan and the controversies emerged from the agreements. The last chapter is a comparison between the two agreements, Thailand-Australia and Thailand-Japan, to answer the question which of the two agreements has benefited Thailand the most. Besides these four main chapters included in the body of the thesis, the author also inserts an extra chapter in the appendix. The appendix, as a supplementary chapter, is dedicated to a free trade agreement outside Thailand, between the European Union and Ukraine. Given that Ukraine is a small country who is oriented towards open economy and Europeanization process, the author believes that the FTA between the European Union and Ukraine will create a major change for Ukraine as it could gain access to a huge European market, a large single market comprised of 500 million people. Furthermore, the FTA between the European Union and Ukraine is also expected to be a cornerstone in relationship between the two parties. Although this FTA has not yet been created, the author wishes to predict the outcome and estimate the impact of the EU-Ukraine FTA on Ukraine's trade in goods as well as the impact on the Ukrainian social scale. Furthermore, at the end of the appendix, the author also wishes to show a comparison between Ukraine and Thailand regarding their positions in the FTAs with trading partners. The author wants to point out the similarities between the two countries as well as lessons Ukraine can learn from Thailand in order to prepare and to reap the most benefits from the EU-Ukraine FTA that will happen in the future.

Chapter 2

Thailand and ASEAN Free Trade Agreement (AFTA)

I. An overview of ASEAN

Southeast Asia had been plagued with many regional security threats arising from both inter-state conflicts and intra-state conflicts. These disordered and chaotic situations in the region had drawn attention to the main players to deploy some new approach to alleviate the tensed situations and to ameliorate the state of affairs in the Southeast Asian region. Therefore, on August 8, 1967, The Association of Southeast Asian Nations or ASEAN was established in Bangkok under Bangkok Declaration⁷. It is important to note that though the purpose stated at the establishment of ASEAN is based on mainly the economical reasons, the initial founding of ASEAN was out of a political agenda to alleviate potential inter-state conflicts. Only recent years ASEAN saw the need of regional integration and called for a real economic integration which, as a result, yielded considerable benefits for its member countries.

At the outset, ASEAN comprised five founding member countries, namely Indonesia, Singapore, Philippines, Malaysia and Thailand. Subsequently ASEAN challenged the first enlargement in 1984 when Brunei Darussalam joined. At this stage,

⁷ Bangkok Declaration also known as The ASEAN Declaration is the founding document in establishment ASEAN on August 8, 1967. The declaration was acknowledged and signed by Minister for Political Affairs of Indonesia, Deputy Prime Minister of Malaysia, Secretary of Foreign Affairs of the Philippines, Minister for Foreign Affairs of Singapore and Minister of Foreign Affairs of Thailand. The declaration is based on five founding principles which are (I) *Mindful* of existence of mutual interests and common problems among member countries and strengthening regional cooperation to bring about regional solidarity; (II) *Desiring* to promote regional cooperation in South-East Asia in the spirit of equality and partnership which consequently would become a provision of peace, progress and prosperity in the region; (III) *Conscious* that a sound, strong, well-formed, and meaningful cooperation among neighboring countries in South-East Asia attains peace, freedom, social justice and economic well-being; (IV) *Considering* that the countries of South-East Asia share a primary responsibility for strengthening the economic and social stability of the region and ensuring their peaceful and progressive national development; (V) *Affirming* that all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly processes of their national development.

ASEAN was still perceived as the regional cooperation which was driven mainly by the political ground to prevent any conflicts that might occur among the member states. However, after political changes especially the collapse of the Soviet Union and the establishment of regionalism around the world, ASEAN, for the first time, realized the importance of true regionalism, which is why ASEAN welcomed its first enlargement in 1995 when Vietnam joined. Lao PDR and Myanmar joined in 1997.⁸ Cambodia was originally planned to join ASEAN at the same time as Lao PDR and Myanmar but due to domestic political struggle, Cambodia's accession had to be postponed until 1999 when Cambodia became official ASEAN member. The accession of the new ASEAN members also known as ASEAN-4 made ASEAN the regionalism with the most diversity economically and politically. The gap between the old member states or ASEAN-6 and ASEAN-4 were viciously visible as the former were democratic, market-led economy while the latter were undemocratic, state-owned businesses and strictly closed economy.⁹

As of ASEAN institutions, the ASEAN leaders, on the ASEAN Summit in Bali in October 2003, agreed on establishing ASEAN Community, within which there pillars are the main structure. The three pillars are including ASEAN Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community.

ASEAN Security Community is regarded as something new since the Bangkok Declaration which is the founding principle of ASEAN does not mention anything about security cooperation among the member countries. However, the ASEAN Security Community is aimed to ensure that member countries live peacefully within the region with democratic and harmonious environment.¹⁰

⁸ Association of Southeast Asian Nations (ASEAN): Overview
<http://www.aseansec.org/64.htm> (Access on August 23,2008)

⁹ Regional Integration, Trade and Conflict in Southeast Asia. The Singapore Institute of International Affairs, (January 2007), pp. 5-30.

¹⁰ Rodolfo C. Severino. Towards an ASEAN Security Community. *Institute of Southeast Asian Studies, Singapore*, (2004), pp.4-30.

ASEAN Socio-Cultural Community represents ASEAN's aspirations to uplift the quality of life of its people, sustainably use natural resources and strengthen its cultural identity towards a people-centered ASEAN.¹¹

ASEAN Economic Community is taken as a completion of economic integration within the region. The AEC is meant to be a single market and production base, with free movement of goods, services, investment, skilled labor and a freer flow of capital. Furthermore, the AEC is expected to encourage equitable economic development in the region and reduce poverty and socio-economic disparities within the region.¹² ASEAN Economic Community is an extension of already-existing economic initiatives in ASEAN, also known by ASEAN Free Trade Area.

The ASEAN Free Trade Area is now in place, with its formal implementation in 2003, ASEAN has become a single production unit which presents the region's competitiveness advantage. Furthermore, greater economic efficiency, productivity and competitiveness are expected to be the outcome of the AFTA once the AFTA obligations are fully implemented by all of the ASEAN member countries.

<http://www.iseas.edu.sg/82004.pdf>

¹¹ ASEAN Socio-Cultural Community (ASCC), Ministry of Foreign Affairs, Thailand
<http://www.mfa.go.th/web/2211.php?id=1876> (Access on August 20,2003)

¹² Ludo Cuyvers, Philippe De Lombaerde and Stijn Verherstraeten. From AFTA towards an ASEAN Economic Community and Beyond. *Centre for ASEAN Studies*, CAS discussion paper NO 46, (January 2005), pp. 2-23.

II. The Establishment of ASEAN Free Trade Area

The most significant milestone for regional economic cooperation among member countries took place in the 4th ASEAN Summit in January 1992 when ASEAN Free Trade Area (AFTA) was first established. The establishment of AFTA marked a qualitative modification both for the member countries and for the Southeast Asian region as it was the first succeeded trade initiative in the region.

The establishment of the ASEAN FTA was driven purely by the economic initiatives. Changes in the world trading especially in the West, for example, the creation of the Single European Market, the establishment of the North American Free Trade Agreement (NAFTA), had encouraged the ASEAN leaders to rethink about a strong economic integration which would help increase ASEAN's economic competitiveness to be able to compete with such trading blocs around the world.

At the summit meeting of ASEAN heads of state in January 1992, the six members projected the most ambitious attempt at regional integration by agreeing to establish the ASEAN Free Trade Area. The centerpiece of the AFTA proposal is to lower intra-regional tariffs through the Common Effective Preferential Tariff (CEPT).¹³ The member states committed themselves to reduce all tariffs on intra-ASEAN trade in manufactured and semi-manufactured products, including capital goods and processed agricultural products to the range of 0-5 percent tariff range within 10 years beginning in January 1993. The liberalization process was carried out at different speeds according to the product group; a fast track scheme and a normal track scheme.¹⁴ For the ASEAN-6, Singapore, Malaysia, Indonesia, Philippines, Brunei and Thailand, their high tariffs on products in the Inclusion

¹³ The Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area requires that tariff rates levied on a wide range of products traded within the region be reduced to no more than five percent. Quantitative restrictions and other non-tariff barriers are to be eliminated. (Further information available at www.aseansec.org/viewpdf.asp?file=/pdf/afta.pdf)

¹⁴ Ludo Cuyvers et al. From AFTA towards an ASEAN Economic Community and Beyond. Centre for ASEAN Studies, CAS Discussion paper NO. 46, (January 2005)
<http://webh01.ua.ac.be/cas/PDF/CAS46.pdf> (Access on August 25,2008)

List (IL) were to be reduced to a maximum of 5 percent by 2003. As for new members, the timeframes are different according to the year each country made an accession to ASEAN. Vietnam has to reduce their tariffs to the limit agreed by 2006, Laos and Myanmar by 2008 and Cambodia by 2010. Furthermore, the elimination of all import duties for ASEAN-6 is expected to achieve by 2010, as mentioned in ASEAN Vision 2020 to make ASEAN a single market, the rest of the ASEAN by 2015 with flexibility.

Furthermore, the AFTA allowed member countries to exclude some certain sensitive products from tariff reduction under the normal or fast track scheme if the necessity is related on national security, public morals, public health, environmental protection and protection of articles of artistic, historic or archaeological value.¹⁵

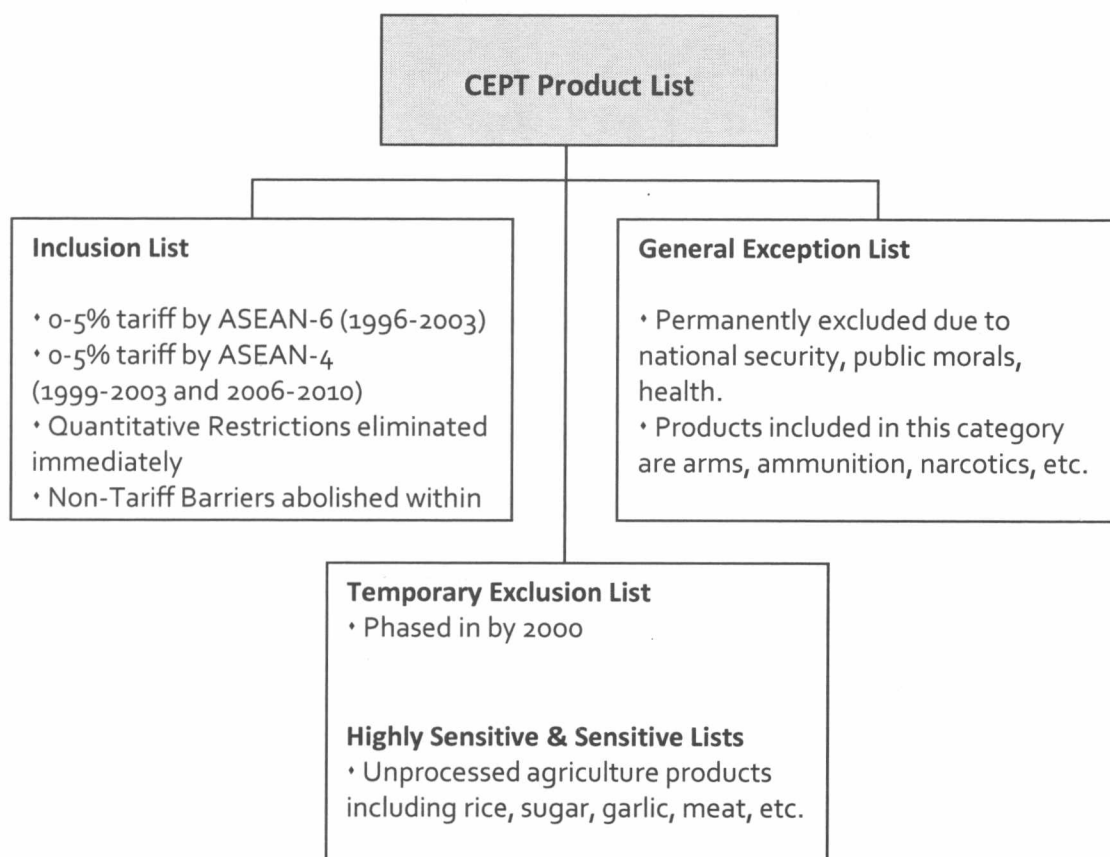
As seen from the Figure 1, there are four main categories under CEPT scheme for AFTA; Inclusion Lists (IL), Temporary Exclusion Lists (TEL), Sensitive Lists or Highly Sensitive Lists (SL or HSL) and General Exception Lists (GE).

Products belonging to the TEL can be excluded from tariff reduction for a limited period of time but in the end all products in this category have to be transferred to the IL with the tariff duties being reduced to 0-5 percent. The Sensitive List primarily concerns raw or unprocessed agricultural products. Products in this category do not have to be liberalized by the normal timeframe used with the Inclusion List. For ASEAN-6, trade in these particular products has to be liberalized by 2010 while the new members get a more extensive timeframe (Table 3).¹⁶

¹⁵ Association of Southeast Asian Nations (ASEAN): AFTA and FTAs
<http://www.aseansec.org/12021.htm> (Access on August 23,2008)

¹⁶ Paul Bowles, *ibid.*

Figure 1: Present CEPT Scheme in ASEAN FTA



The Table 2 shows the CEPT scheme for each ASEAN member. According to the ASEAN Secretariat, “As of 1 January 2005, tariffs on almost 99 percent of the products in the Inclusion List of the ASEAN-6 have been reduced to no more than 5 percent. More than 60 percent of these products have zero tariffs. For the newer member countries, tariffs on about 81 percent of their Inclusion List have been brought down to within the 0-5 percent range”.¹⁷

¹⁷ Association of Southeast Asian Nations (ASEAN): ASEAN Economic Community <http://www.aseansec.org/64.htm> (Access on August 23,2008)

Table 2: Average CEPT Rates, by Country, 1993-2003

Country	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Brunei D.	3.78	2.64	2.54	2.02	1.61	1.37	1.55	1.26	1.17	0.96	1.04
Indonesia	17.27	17.27	15.22	10.39	8.53	7.06	5.36	4.76	4.27	3.69	2.17
Malaysia	10.79	10	9.21	4.56	4.12	3.46	3.2	3.32	2.71	2.62	1.95
Philippines	12.45	11.37	10.45	9.55	9.22	7.22	7.34	5.18	4.48	4.13	3.82
Singapore	0.01	0.01	0.01	0.01	0	0	0	0	0	0	0
Thailand	19.85	19.84	18.16	14.21	12.91	10.24	9.58	6.12	5.67	4.97	4.63
ASEAN-6	11.44	10.97	10	7.15	6.38	5.22	4.79	3.64	3.22	2.89	2.39
Cambodia								10.39	10.39	8.89	7.94
Lao PDR						5	7.54	7.07	7.08	6.72	5.86
Myanmar						2.39	4.45	4.43	4.57	4.72	4.61
Vietnam				0.92	4.59	3.95	7.11	7.25	6.75	6.92	6.43
ASEAN-10				7.03	6.32	4.91	5.01	4.43	4.11	3.84	3.33

Source: ASEAN Secretariat

Table 3: Timeframe for Tariff Rate 0-5 percent under CEPT

Country	Industrial products & Processed Agricultural products		Unprocessed Agricultural Products		
	IL	TEL	IL	TEL	SL
ASEAN-6	1993-2003	1996-2003	1996-2003	1997-2003	2001-2010
Vietnam	1996-2003	1999-2006	1999-2006	2000-2006	2004-2013
Laos/Burma	1998-2008	2001-2008	2001-2008	2002-2008	2006-2015
Cambodia	2000-2010	2003-2010	2003-2010	2004-2010	2008-2017

Source: Department of Trade Negotiations, Ministry of Commerce

The AFTA can also be perceived as a “playing ground” for the young ASEAN producers, who, by opening up their protected markets for regional competitors, can prepare themselves for the international competition outside ASEAN.¹⁸ Furthermore, the AFTA formulates ASEAN as an essential and significant market without trade barriers which helps to increase competitiveness to ASEAN products in the world market. As of non-economic advantage of the AFTA, peace and stability are maintained in ASEAN, which have important economic spin-offs as the secure and stable environment in the region acquires investment and business climate, which attracts more investment to the region.

The year 2003 marked the successful attempt of ASEAN economic integration as the CEPT scheme was fully implemented by the old ASEAN members. Since 2003 onwards, the general impact can be seen though the increasing of intra-ASEAN trade flow

¹⁸ Ludo Cuyvers and Wisarn Pupphavesa. From ASEAN to AFTA. Center of ASEAN Studies and Center for International Management and Development Antwerp, CAS Discussion paper, No. 6, (September 1996), pp. 2-16.

within the region, the increasing of the region's competitiveness in the world market and the growth of foreign direct investment into the region. However, the effect on social scale can be seen as well through the growth of employment and eventually leads to an increase of income of ASEAN population. Overall, the AFTA pushes ASEAN to become one of the most important regions in the world which helps to bring about economic prosperity to each member country.¹⁹

This chapter illustrates the benefits and gains Thailand has obtained from the ASEAN FTA after its full implementation in 2003. This chapter will be divided into two sections; the first section will be devoted to a discussion of the impact of the AFTA on Thailand's major industries. Only automotive industry, electrical and electronic industry and plastic industry will be discussed in details; the second section in the chapter will talk about Thailand's recent trend in trade relations with the ASEAN member countries after the implementation of CEPT scheme in 2003. Moreover, at the end of the chapter, the author wishes to predict the impact of the ASEAN FTA on Thailand after its full implementation in 2010 when the tariff duties will be totally eliminated among the ASEAN member countries.

¹⁹ Ampawan Pichalai. Trade in ASEAN and its Neighboring Countries (in Thai). Department of Trade Negotiations, Ministry of Commerce
http://www.dtn.moc.go.th/web/8/55/628/630/afta2006.asp?G_id=630&f_id=5197 (Access on September 10,2008)

III. Impact of AFTA on Selected Industries

The ASEAN Free Trade Area is considered the main drive to boost Thai trade with its partners for the past ten years. After the elimination of trade barriers between the ASEAN member countries, product flows within the region has been improved and increased enormously. ASEAN, then, has become one of the most competitive production bases in Asia, which manages to attract foreign investment, especially from the United States and Japan, to the region continuously.²⁰

Since the introduction of CEPT scheme under AFTA in 1993, Thailand's intra-trade within ASEAN-6 increased significantly. The reason is due to the lessening of the trade barriers among the member countries in the region. However, the real growth of Thai trade with ASEAN can be really detected after the full implementation of AFTA in 2003 when the tariffs on most of the product lines were reduced to the level between 0-5 percent. As a result, ASEAN becomes one of the major trading partners for Thailand.

According to the Table 4, Thailand benefits from the establishment of the AFTA as the country's trade has increased since 2003 when the CEPT scheme was formally realized. During the first ten years of tariff reduction under the CEPT scheme, Thailand managed to export to ASEAN almost threefold as it used to. After 2003, ASEAN has truly become one of Thailand's significant trading partners and Thailand has been in a trade surplus with ASEAN since the establishment of the AFTA.

²⁰ Methinee Sririsawat. ASEAN and ASEAN Free Trade Area (in Thai). Department of Trade Negotiations, Ministry of Commerce
http://www.thaifta.com/trade/corner/as_about.pdf (Access on September 10,2008)

Table 4: Thailand and Major Trading Partners (1993-2006)

Export/Import	Trading Partners	Value in US Million				
		1993	2003	2004	2005	2006
Export	ASEAN	6,585	16,486	21,246	24,398	27,040
	USA	8,022	13,596	15,517	16,997	19,454
	Japan	6,327	11,364	13,543	15,097	16,431
	EU	6,493	11,750	13,818	14,294	16,874
	World	37,325	80,049	97,701	110,956	129,744
Import	ASEAN	5,940	12,486	15,778	21,631	23,379
	USA	5,362	7,093	7,215	8,684	8,505
	Japan	13,939	18,074	22,416	26,036	25,476
	EU	7,684	7,504	7,215	8,684	8,505
	World	46,163	75,015	94,978	118,190	126,831

Source: Ministry of Commerce, Thailand

Automotive Industry

Thailand's automotive industry has been one of the key industries indicating the Thai economy. In Southeast Asian region, Thailand is considered one of the major and the most important automotive manufactures as well as one of the most significant automotive and auto parts exporters to the world.

The most important landmark for the Thai automotive industry can be seen in 2003 when the CEPT scheme was fully implemented and also the government policy on automotive industry was officially launched.

Trade liberalization through the arrangements of ASEAN Free Trade Area has provided Thailand with even better opportunity to become the biggest and the most significant automotive producers in Asia. After the import tariffs were cut to 0-5 percent in 2003, Thailand's car manufacturing industry has been expanding and having greater access to bigger ASEAN markets. The tariff cuts among the ASEAN member countries also meant cheaper imported raw materials for the Thai industry which, in accordance, increased the Thai automotive competitiveness in the world market.

Besides the advantage under the CEPT scheme that was about to transform Thailand to become one of the major bases of car manufacturing in the region, the Thai government's policy also played a great role in realizing the goals for Thailand. After the Thai government announced Thailand's new automotive industry strategy which would make Thailand "Detroit of Asia"²¹ in 2003, Thailand then had become the focal attention for many big foreign car makers who had been seeking the most potential production bases in Asia. Given the fact that there are many other potential automotive manufacturers in the

²¹ Thailand has been regarded as one of the key players in the global automotive market. Thailand positions as one of the largest and most dynamic automotive industry in Southeast Asia and Thailand plays as the most important hub for world-class automotive manufacturers from around the world. Thailand's outstanding characteristics, competitive manufacturing capacity and a strong domestic auto parts industry, are major factors in pushing Thailand to become the "Detroit of Asia" which would make Thailand achieve a top ten world car manufacturing ranking by 2010.

Southeast Asian region namely Indonesia or Malaysia, foreign car makers still preferred to relocate their plants, assembly lines and production bases to Thailand mainly due to Thailand possesses advantages over these countries especially in the areas of production, sales, technology and product standards.

The two drives, CEPT scheme and “Detroit of Asia” policy, truly provided great benefits for Thailand’s automotive industry in general. As regard to automotive global market, by 2004 Thailand ranked fifteenth largest vehicle manufacturer in the world and Thailand also ranked the top position of ASEAN motor vehicle markets with its share of 41.3 percent of total automotive share in South East Asia.²²

On the regional level, given that the AFTA has created a more competitive environment for Thai products through the reduction of intra-regional tariffs, consumers sourced automotive products from the more efficient producers in ASEAN, which increased Thailand’s automobile exports to ASEAN market. Thailand then became the biggest ASEAN automotive manufacturer and as seen from the Table 6, ASEAN becomes one of the biggest export markets for Thai automobiles especially Indonesia, Malaysia, Philippines and Singapore. The four ASEAN member countries, since 2003, have remained on the top ten biggest automotive export markets for Thailand.

²² Mohd. Uzir Mahidin and R. Kanageswary. The Development of the Automobile Industry and the Road Ahead. Department of Statistics, Malaysia 2004
http://www.statistics.gov.my/eng/images/stories/files/journalDOSM/V204_AUTOMOBILE.pdf (Access on September 25,2008)

Table 5: Thailand's Automotive Export in ASEAN (2006 and 2007)

Rank	Country	Value in US million		Growth (%)		Market share (%)	
		2006	2007	2006	2007	2006	2007
2	Indonesia	413.9	530.3	-27.0	28.1	6.0	6.5
4	Malaysia	101.2	235.1	21.6	132.2	1.4	2.8
5	Philippines	340.0	306.1	15.3	-9.9	4.9	3.7
8	Singapore	291.8	148.0	-5.5	-49.2	4.2	1.8

Source: Department of Export Promotion, Ministry of Commerce

Indonesia is by far the biggest automotive export market for Thailand. Thai auto export to Indonesia accounted for 413.9 US million and 530.3 US million in 2006 and 2007 respectively. This makes Indonesia at the average of 7 percent share of total Thai automotive export. Malaysia is the second biggest ASEAN automotive export market for Thailand. Even though Malaysia is already a major ASEAN vehicle market, the country still has to rely on auto parts imported mainly from Thailand. The auto trade value between Thailand and Malaysia is 101.2 US million and 235.1 US million in 2006 and 2007 respectively. The Thai automotive export to Malaysia increased significantly in 2007 at the rate of 132.2 percent. On the contrary, Philippines's import of Thai vehicles shrank down by 9.9 percent from 340.0 US million to 306.1 US million in 2006 and 2007. Singapore ranks eighth for Thailand's total automotive export. Singapore as same as Philippines shows the reduction in Thai automotive import from 291.8 US million to 148.0 US million in 2006 and 2007, which decreased by 49.2 percent in 2007.

The key explanation of a decrease in Thailand's automotive export to the ASEAN countries in general during 2006 and 2007 was mainly due to the higher price in raw materials in the world market especially iron and steel, which are used mainly in the automotive industry.²³ However, the explanation of a plunge in Thailand's automotive export to Indonesia (2005/2006) in particular was also from the fact that the Indonesian government decided to increase the oil prices, which drove down the demand for automobiles and motor vehicles in general.

Among the products from the Thai automotive industry, light pickup trucks or one-ton pickup trucks seem to be the major exported products from Thailand. The government's policy on conspiring Thailand to become Detroit of Asia has made Thailand the second largest pickup truck manufacturer in the world after the United States and the largest pickup truck market and assembler within the Southeast Asian region. According to the Federation of Thai Industries, Thailand's production capacity for one-ton pickup trucks in 2005 accounted for 773,700 units which was a 12.7 percent growth when compared to 2002 prior to full implementation of the CEPT scheme and the introduction of "Detroit of Asia" policy.

As for Thailand's auto parts and components export (Table 7), Indonesia, Philippines and Malaysia have been major ASEAN markets for Thailand. In 2006, Malaysia was the biggest auto parts and components importer from Thailand, accounted for 577.5 US million. This is simply due to Malaysia's weakness in its local auto parts industry and due to cheaper and better quality of Thai products, Malaysia, aimed to become the biggest ASEAN vehicle market, has to import more on auto parts and components from Thailand.²⁴ Indonesia, the third biggest but rather trivial automotive

²³ Mohd. Uzir Mahidin and R. Kanageswary, *ibid.*

²⁴ Mohd. Uzir Mahidin and R. Kanageswary, *ibid.*

manufacturer in the region, was Thailand's biggest ASEAN auto parts and components importer in 2007.

The growth between 2006 and 2007 was as high as 92.6 percent or accounted for 813.7 US million. Indonesia has become the major trading partner with Thailand in the areas of auto parts and components. Indonesia's share of total Thai auto parts and components export accounted for 11.5 percent, the second place after Japan, whose share was 15.7 percent in 2007.

Table 6: Thailand's Major Components and Auto Parts Export Markets in ASEAN

Rank	Country	Value in US million		Growth (%)		Market Share (%)	
		2006	2007	2006	2007	2006	2007
2	Indonesia	422.3	813.7	-28.4	92.6	7.9	11.5
3	Malaysia	577.5	640.3	1.2	10.8	10.8	9.0
5	Vietnam	261.1	345.6	14.7	32.3	4.9	4.8
6	Philippines	265.7	421.5	18.7	58.6	4.9	5.9
9	Cambodia	107.0	164.7	91.8	53.9	2.0	2.3

Source: Department of Export Promotion, Ministry of Commerce

Thailand's new export market for auto parts and components is Vietnam. Vietnam initiated its objective to become one of the major auto manufacturers in Southeast Asia in 2003. However, Vietnamese drive to develop the nation's automobile industry has contributed to the increase of auto parts trade between Thailand and Vietnam.²⁵ Vietnam

²⁵ Dr. Sriya Chairattananon. Battle to Conquer "Detroit of Asia" between Thailand and Vietnam (in Thai)

has emerged to be one of the main export markets for Thai automotive industry for the past ten years. In 2007 Vietnam ranked third in ASEAN auto parts market for Thailand and fifth overall behind Japan, Indonesia, Malaysia, and the United States respectively. It is estimated that Vietnamese market for Thai auto parts and components will grow considerably in the future. According to the estimation by Ministry of Commerce, by the end of the year 2008, Thai products will have greater access to Vietnamese market with the growth rate as high as 102.8 percent.²⁶

In summary, the Thai automotive industry has not yet reached its full capacity which makes the industry's future very promising. Thailand's automotive industry still needs to enhance its competitiveness in term of price, quality and delivery. Furthermore, the government should encourage R&D on developing this particular field. In term of exportation, the free trade agreements should not be overlooked. The Free Trade Agreements are pathways for Thailand to expand businesses in the automotive industry as seen in the case of AFTA which has fully supported the Thai automotive industry both in the growth of exportation and cheaper imported raw materials used in the business.

It is obvious to state that Thailand, compared with other major automotive competitors in the region, still has advantages in terms of quality, price, technology as well as strong support by the government. However, as far as globalization is concerned, other major competitors outside the region namely China and India are rising as the most powerful auto manufacturers in the world given that the two countries possess cheaper production cost and bigger capacity. In response to this, the Thai government has to enhance the industry's competitiveness in order to maintain its position as the largest auto

Institute of Development and Research for Thailand's Manufactured Industry
<http://www.nidambe11.net/ekonomiz/2008q1/2008march20p3.htm> (Access on September 26,2008)

²⁶ Thailand's Automotive, Auto Parts, and Components Export (in Thai)

Department of Trade Promotion, Ministry of Commerce

<http://www.dep.thai.go.th/DEP/DOC/51/51014634.doc> (Access on September 26,2008)

manufacturer in the Southeast region and one of the most powerful auto manufacturers in the world.

Electrical and Electronic Industry

For Thai economy, electrical and electronic export is one of the major export industries for the country. According to the statistics from Ministry of Commerce, in 2006 Thailand's exportation of electrical and electronic products accounted for 38,994 US million or 31.5 percent of total Thailand export (123,462 US million).

From 1970 to 1988 Thailand's trade policy on electronic industry was based on import substitution. The main products were namely basic home appliances and electrical equipments. However, due to the rapidly changing trends in the global economy, the Thai government initiated proactive policies in order to build up Thailand's electronic industry to be more globally competitive. Up until now, Thailand plays a major role in providing electrical and electronic products to the world market. As of ASEAN, Thailand is, of course, the biggest electrical and electronic production base in the region.

According to the AFTA, electrical and electronic products belong to the normal Inclusion List meaning that the six member countries agreed to reduce the tariffs to 0 to 5 percent by 2003. After 2003, the ASEAN market for electrical and electronic products reached the objective of making ASEAN market become wider, cheaper and greater opportunity for exporters.

Electronic products that Thailand provides for ASEAN market are mainly computers and accessories and electronic integrated circuits. According to the Table 8, it is clear that under the category of electronic market within ASEAN, Singapore is undoubtedly the leading country importing Thai electronic goods. In 2003 Singapore was actually the largest export market for Thailand's electronic goods. Singapore outweighed

the United States, who, later on, became the largest export market instead of Singapore. Singapore's share of Thailand's total electronic market share accounted for 15.2 percent in 2003. However, since the beginning of the year 2004 until present, Singapore has remained Thailand's largest export market for electronics goods in ASEAN and the fourth largest in the world market after China, the United States, and Japan. The export value in Thai electronic goods to Singapore rose by 123.7 percent from 2003 to 2007, from 2,687.2 US million in 2003 to 3,324.1 US million in 2007.

Malaysia is the second biggest ASEAN electronic market for Thailand. The export value to Malaysia has grown steadily since the full implementation of AFTA in 2003. The growth rate between 2003 and 2004 accounted for 36.5 percent, which is the highest growth rate when compared to other ASEAN countries. Thailand's export to Malaysia in 2007 valued 1,727.2 US million, which is considered a 175.7 percent rise comparing to export value of only 983.0 US million in 2003. Malaysia ranks currently seventh for Thailand's electronic export market in the world, with its share of 5.5 percent in total.

Philippines ranks fifteenth in the world export market for Thailand's electronic products. Though Philippines' contribution to Thailand's electronic exportation is little, Filipino market is still the third biggest ASEAN market for Thai electronics. The export value to Philippines remains at a lower level compared to the top two ASEAN markets and its share is accounted for only 1.8 percent of total Thai electronic market.

Table 7: Thailand's Electronic Export to ASEAN (2003-2007)

Country	Value in US million					Growth (%)				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
Singapore	2,687.2	2,590.6	2,841.6	3,205.2	3,324.1	-3.6	-3.6	9.6	3.4	3.7
Malaysia	983.0	1,342.6	1,468.9	1,481.2	1,727.2	58.2	36.5	9.4	0.8	16.6
Philippines	457.6	440.4	337.4	592.3	506.1	14.4	-3.7	-23.4	75.5	-14.5

Source: Department of Trade Promotion, Ministry of Commerce

However, both Singapore and Malaysia are the two main competitors in ASEAN in the field of manufacturing and exporting electronic products especially Hard Disk Drive (HDD) and electronic circuits to the world market. As regard to this, Thailand has to improve its electronic products by increasing its competitiveness in the world market and most importantly Thailand has to improve its logistics system so that Thai products can become cheaper and can compete with other competitors.²⁷

As far as electrical products are concerned, Thailand's electrical industry is one of the major contributions to Thailand's economy especially in the country's exportation. As much as 80-90 percent of electrical products that are produced in the country are for export while the domestic sale remains low, at the level of only 20-10 percent.

ASEAN is the third largest market for Thai electrical products after the United States and Japan. According to the Thai Customs Department, ASEAN was accounted for 16 percent of total market share of Thai electrical products in 2006. Electrical products that

²⁷ Fact Sheet: Electronics Export to the World Market (in Thai)
Ministry of Commerce
<http://www.dep.thai.go.th/DEP/DOC/51/51015642.doc> (Access on September 26,2008)

Thailand provides for ASEAN market are radios, televisions, air-conditioners and accessories, refrigerators, stereos, and VDOs.²⁸

Singapore has been Thailand's biggest export market in ASEAN and the fourth in the world ranking after Japan, the United States and Hong Kong respectively. Since the completion of Inclusion List under the CEPT scheme, Singapore continued to import Thai electrical products but the slump in importing Thai electrical goods can be seen in 2005 when export value to Singapore decreased by 7.4 percent from 785.7 US million to 726.0 US million in 2004 and 2005 respectively. Thai electrical export to Singapore still went down in the following year, to 698.7 US million. This may due to the rising position of China as a major electrical contributor in Asia. Given that China's products were cheaper 10-30 percent than Thai goods, Thailand's electrical export was in a decline. The same pattern can be detected with Thailand's electrical export to Malaysia. Malaysia is the second biggest ASEAN electrical market for Thailand and the world's sixth biggest market. Malaysia's share of total Thai electrical market accounted for at the average of 4 percent. Between 2005 and 2006, Thai electrical export to Malaysia declined and the reason behind is the Chinese products in the market.

However, Thailand's electrical export escalated again in 2007 both in Singapore and Malaysia, from 698.7 US million in 2006 to 1,166.4 US million in 2007, or a 66.6 percent growth for Singapore and from 565.2 US million in 2006 to 633.6 US million in 2007, or a 12.1 percent growth for Malaysia. This was mainly due to the Baht's strength. This had a great impact for Thai manufacturers who relied on imported raw materials, which electronics and electrical producers were included.²⁹

²⁸ Fact Sheet: Electrical Products Export to the World Market (in Thai)
Ministry of Commerce

<http://www.dep.thai.go.th/DEP/DOC/51/51015641.doc> (Access on September 26,2008)

²⁹ Baht's Strength: Harm Exporters of Frozen Foods but Benefits for Sectors Reliant on Imported Raw Materials, National Bureau of Agricultural Commodity and Food Standards
http://www.acfs.go.th/news_detail.php?ntype=09&id=970 (Access on September 28,2008)

Table 8: Thailand's Electrical Export to ASEAN (2003-2007)

Country	Value in US million					Growth (%)				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
Singapore	759.1	785.7	726.0	698.7	1,166.4	23.5	3.5	-7.4	-3.7	66.6
Malaysia	467.7	597.7	583.7	565.2	633.6	14.7	27.8	-7.9	-3.1	12.1
Indonesia	200.5	280.3	298.0	267.9	387.3	12.1	39.7	22.0	-10.1	44.5
Vietnam	96.0	148.1	180.4	256.2	369.3	55.2	54.2	6.3	42.0	44.1

Source: Department of Trade Promotion, Ministry of Commerce

As of Indonesia and Vietnam, the two countries are the third and fourth biggest export market for Thai electrical products. The main exported goods for the two countries are air conditioners and refrigerators. The two countries are accounted for 8 percent of total market share regarding air conditioners and refrigerators. According to the Table 8, the two countries continued progressively to import electrical goods from Thailand since 2003 but the slowdown in Thai export can be seen with Indonesia between 2005 and 2006. The reason behind is the same as mentioned in the case of Singapore and Malaysia which is the cheaper Chinese products in the market. Despite the rising of the new competitor in the region, Thai export to Vietnam did not get interrupted as seen in the Table 9 that the export value to Vietnam continued to grow from 180.4 US million to 256.2 US million in 2005 and 2006 respectively.

According to the statistics shown by the Ministry of Commerce, Vietnam in 2008 has become one of the major potential export market for Thai electrical goods especially air-conditioners and accessories. The export value between January and July 2008 to

Vietnam was as high as 77.9 US million, only 5.0 US million lower than the total value of the previous year. It is estimated that the growth of Vietnamese market for Thailand's air-conditioners and accessories will be 64.2 percent by the end of 2008.³⁰

Plastic Industry

Thailand has firstly developed the country's plastic industry in 1960 but it was rather a small industry. The real development of Thailand's plastic industry was related to the initiation of the petrochemical industry in 1977 because the petrochemical industry provides raw materials for plastic bead production that can be used to produce different plastic products.³¹ Finally Thailand achieved the first full-integration of the petrochemical production in Southeast Asia in 1996. Since that time, Thailand has been one of the leading countries in the area of plastic and petrochemical industry in Southeast Asia.³²

Thailand's plastic industry is one of the most important industries to Thai economy as it adds value to the national economy by several billion Baht annually. Plastic and plastic products export is accounted for more than 100,000 Baht million yearly, which has always been top ten Thai export to the world market. Furthermore, plastic industry is actually the biggest industry supporting the other industries or in other words, plastic products including plastic beads are needed as base materials for other industries for production.³³

Plastic beads and plastic products are categorized into the Inclusion List of AFTA under the "*fast track*" path meaning that the member countries agreed to reduce import

³⁰ Fact Sheet: Air-Conditioners Export to World Market (in Thai)
Department of Trade Promotion, Ministry of Commerce
<http://www.depthai.go.th/DEP/DOC/51/51015641.doc> (Access on September 28,2008)

³¹ The Federation of Thai Industries: Plastic Industry Club
<http://www.ftiplastic.com/new/en/ppetro.php> (Access on September 28,2008)

³² The Federation of Thai Industries: Plastic Industry Club, Ibid.

³³ Development of Thai Plastic Industry (in Thai)
Research Institute of Kasikorn Bank (07 August 2003)
library.dip.go.th/multim/edoc/09621.doc (Access on September 28,2008)

tariffs from 20 percent or lower on the products belonging in this group to 0-5 percent within 5 years since the CEPT scheme came into force in 1993. For products with tariff higher than 20 percent would be reduced to 0-5 percent by 2000.

Generally speaking, since 2000 Thai plastic products could enjoy the real benefits under AFTA. Given that ASEAN is one of the biggest export markets for Thailand's plastic industry, Thailand has continued to export plastic and plastic products to ASEAN member countries more since the full realization of CEPT scheme under the fast track program in 2000. The main ASEAN markets for Thai plastic and plastic products are Vietnam, Malaysia, Indonesia, Philippines, Singapore and Myanmar respectively.

The Table 10 below shows that these six ASEAN member countries comprise of 16 percent of total Thai plastic and plastic products export. Vietnam has been the biggest ASEAN market and the fifth overall since 2005. The value of plastic and plastic products export to Vietnam rose by 229.7 percent from export value of 159.1 US million in 2003 to 365.7 US million in 2006. This may due to the government's plan to boost the industrial sector of the country including plastic industry, which is a growth industry in Vietnam with an annual growth rate of around 30 percent per year in recent years.³⁴

³⁴ Christopher W. Runckel. The Vietnamese Plastic's Industry: Rapid Growth and Much Future Promise http://www.business-in-asia.com/plastics_in_vietnam.html (Access on September 28,2008)

Table 9: Thailand's Plastics Export to ASEAN (2003-2007)

Country	Value in US Million					Growth (%)			
	2003	2004	2005	2006	2007 (Jan.-Jun.)	2004	2005	2006	2007 (Jan.-Jun.)
Vietnam	159.1	228.7	313.1	365.7	194.1	43.7	36.9	16.9	19.6
Malaysia	181.0	280.8	311.4	310.0	193.2	55.0	10.9	-0.1	27.1
Indonesia	135.4	174.3	239.3	272.7	155.0	28.7	37.2	15.2	26.4
Philippines	83.9	111.2	134.2	148.9	80.5	32.5	20.6	11.2	11.0
Singapore	87.7	118.8	132.3	135.9	72.9	35.0	11.3	2.9	13.1
Myanmar	42.8	51.1	74.2	63.3	41.2	19.4	45.1	-14.6	24.5

Source: Department of Trade Promotion, Ministry of Commerce

Malaysia is the second biggest ASEAN importer of Thai plastic and plastic products. As a matter of fact, Malaysia had been the biggest importer up until 2005 when it was replaced by Vietnam. The growth of Thai plastic and plastic products export to Malaysia rose by 171.2 percent from 2003 until 2006. However, the Thai plastic products export to Malaysia dropped from 311.4 US million to 310.0 US million in 2005 and 2006 and this trend appears to continue due to Malaysia's robust position in its plastic and petrochemical industry mainly attributed to the availability of oil and gas feedstock and the country's cost competitiveness, which makes Malaysia become one of the significant competitors for Thailand regarding plastic industry.³⁵

³⁵ Industries in Malaysia: Petrochemical and Polymer Industry
<http://www.mida.gov.my/en/view.php?cat=5&scat=9&pg=641> (Access on September 28,2008)

Indonesia is the third biggest ASEAN market for Thai plastic products export. Even though Indonesia's contribution to Thailand's plastic industry is not quite equal to those of Vietnam and Malaysia, Thailand has maintained its plastic export to Indonesia regularly. The plastic export value to Indonesia rose annually from 135.4 US million, 174.3 US million, 239.3 US million and to 272.7 US million from 2003 to 2006 respectively, which is accounted for 201 percent growth within three years.

Philippines, Singapore and Myanmar make up of around 6 percent of total Thai plastic export. The three countries have continued to import Thai plastic and plastic products more every year. While Thailand mainly exports plastic in a form of plastic products to Singapore and the Philippines, raw materials or plastic beads, as the main material for plastic production, have been the major products to Myanmar.

The examples of three Thai industries, automotive, electric and electronic and plastic, show that the ASEAN Free Trade Area has provided significant benefits for Thailand. Moreover, Thailand has few advantages over its neighboring competitors in the areas of location, size of markets, technological accumulation, sufficient capacity to back up big industry expansion, skilled labors and political stability. These factors are important to make Thailand enjoy the benefits from the AFTA more than other member countries. However, Thailand still needs to improve its weaknesses especially in the areas of research and development and a competition in lower labor cost from China.³⁶ If Thailand manages to overcome these problems, Thailand will be able to enhance its product competitiveness which would result in a growth in exportation both in the regional and global markets.

³⁶ Automotive Study of Thailand 2007: Automobile and Automobile Supplies. German-Thai Chamber of Commerce. 18 December 2008. < http://www.gts08.org/download/GTS08_Automobile.pdf>.

IV. Recent Trend: Thailand and ASEAN After 2003

After the full implementation of the CEPT scheme or the Common Effective Preferential Tariff Scheme in 2003, ASEAN has truly become one of the most significant markets in the world. ASEAN countries benefit from the AFTA under the CEPT scheme by increasing in intra-regional trade. The CEPT scheme, for ASEAN-6, ended in 2003 when the member countries reduced intra-regional tariffs to 0-5 percent and remove non-tariff barriers to zero percent. As for the new member countries, the CEPT scheme is in process and it has presented a good progress in intra-regional trade.³⁷

In this sector, the author will point out the overall trade between Thailand and ASEAN member countries since 2004 when most of the member countries can actually enjoy the full benefits from the ASEAN Free Trade Area since most of the tariff on normal products have been reduced to 0-5 percent as it had been set in the goal at the beginning of the establishment of the AFTA.

The overall trade between Thailand and ASEAN between 2004 and 2007 was in favor of Thailand, meaning that Thailand had a trade surplus with ASEAN-9 during that time. Thailand's export figure to ASEAN grew steadily every year, 21,312.1 US million, 24,396.9 US million, 29,405.1 US million and 33,938.0 US million from 2004 to 2007 respectively. Thailand also imported from ASEAN which accounted for 16,007.9 US million, 21,742.7 US million, 25,876.6 US million and 26,435.3 US million between 2004 and 2007 respectively. According to the Table 10, it shows that Thailand has been in a trade surplus with ASEAN since 2004.

³⁷ Methinee Sririsawat, *ibid.*

Table 10: Thailand-ASEAN Trade 2004-2007

Thailand-ASEAN	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	37,320.0	46,139.4	55,282.7	60,373.3	2.9
Export	21,312.1	24,396.6	29,405.1	33,938.0	8.8
Import	16,007.9	21,742.7	25,876.6	26,435.3	3.6
Trade Balance	5304.2	2653.9	3528.5	7502.7	100.4
Export Structure					
Total export	21,312.1	24,396.6	29,405.1	33,938.0	8.8
Agricultural products	1,388.0	1,347.7	1,962.3	2,309.1	17.7
Industrial products	15,722.	18,174.0	19,398.1	24,005.7	23.8

Source: Thai Customs Department

Thailand's trade with ASEAN-5

ASEAN-5 is the old member countries which helped to establish ASEAN. The member countries in this category are the following; Brunei Darussalam, Indonesia, Malaysia, Philippines and Singapore.

Thailand-Brunei Darussalam

Brunei Darussalam is not considered Thailand's significant export market due to the small size of the country. However, top five Thai export products to Brunei Darussalam's markets are automobiles and accessories, rice, computers and accessories, cement, and sugar. On the contrary, Brunei is considered one of the major ASEAN importers to Thailand. Due to Thailand's insufficiency of crude oil, which is raw material used for other industries, Thailand has to import from other countries and in this regard, Brunei is one of the biggest crude oil exporters to Thailand. Crude oil imported from Brunei is accounted for 99 percent of total Brunei's import to Thailand.³⁸

As a result, Thailand has been in a trade deficit with Brunei for the past ten years but the deficit has been decreasing every year. In 2004 Thailand had trade deficit with Brunei valued -334.1 US million but in 2007 the trade deficit decreased to the level at -23.21 US million. According to the Table 11, Thailand's trade deficit with Brunei decreased hugely mainly due to Thai government's policy on energy saving. Since 2005 Thailand has limited its import of crude oil and natural gas from Brunei which resulted in a decline in the country's trade deficit with Brunei Darussalam.

³⁸ Trade Situation: Brunei Darussalam (in Thai)
Ministry of Commerce
http://otp.moc.go.th/modules/datacenter/images/File/Brunei/brunei_trade.pdf (Access on September 28,2008)

Table 11: Thailand-Brunei Darussalam Trade 2004-2007

Thailand-Brunei	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	447.7	275.4	227.3	213.1	-6.2
Export	56.8	68.6	89.8	94.9	5.6
Import	390.9	206.7	137.5	118.1	-14.1
Trade Balance	-334.1	-140.1	-47.6	-23.2	-

Source: Thai Customs Department

Thailand-Indonesia

Indonesia is the potential market for Thailand's exporters owing to its huge population, around 220 million, which is half of the whole population in ASEAN. This makes Indonesia one of the biggest markets in the region. Thailand's major exports to Indonesia are automobiles and auto parts, chemical products, machinery products and accessories, cassava, and sugar. Main products imported from Indonesia are including crude oil, raw materials, coal, chemical products and machinery products and parts.³⁹

Prior to 2005 Thailand's trade value with Indonesia had increased from 5,527.5 US million to 7,117.5 US million in 2004 and 2005 respectively. Thailand was in a trade surplus with Indonesia during that period. However, at the beginning of 2006, the total trade between the two countries dropped by 5.5 percent. Thailand's import value exceeded those of export which resulted in a trade deficit with Indonesia.

³⁹ Trade with Indonesia (in Thai)

Department of Trade Promotion, Ministry of Commerce

<http://www.depthai.go.th/DEP/DOC/51/51012300.doc> (Access on September 28,2008)

Table 12: Thailand-Indonesia Trade 2004-2007

Thailand-Indonesia	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	5,527.5	7,117.5	6,725.5	9,175.1	36.1
Export	3,216.2	3,982.9	3,311.4	4,976.6	50.2
Import	2,311.3	3,134.6	3,414.1	4,198.5	22.9
Trade Balance	904.9	848.3	-102.7	-778.1	-

Source: Department of Trade Promotion, Ministry of Commerce

The major reason why Thailand's export to Indonesia plunged down in 2006 is due to Indonesia's domestic economy which was a consequence of the Indonesian government's increasing oil prices policy.⁴⁰

This had great impact on Thai exports to Indonesia especially the automotive industry. With the oil prices being pushed up by the government, Indonesians' demand on automobiles reduced hugely, which, as a result, drove down Thai export overall to Indonesia. However, in 2007 Thailand-Indonesia trade increased by 36.1 percent but Thailand still remained in a trade deficit with Indonesia mainly due to the import of crude oil and natural gas.

⁴⁰ Trade with Indonesia (in Thai), *ibid.*

Thailand-Malaysia

Malaysia is currently the biggest trading partner with Thailand in ASEAN. Malaysia is Thailand's biggest ASEAN importer and the second biggest export market after Singapore. Thailand has been having a trade deficit with Malaysia since 2004 but the deficit has reduced for the recent years. Thailand's trade with Malaysia has grown since the full implementation of CEPT in 2003.

Thailand's major products to Malaysian markets are including rubber and rubber products, computers and accessories, automobiles and auto parts, and electrical and electronics products. Major Malaysian products imported to Thai market are electronics and electrical appliances, crude oil, chemical and chemical products, and machinery and parts.⁴¹

Thailand-Malaysia trade has grown steadily from 2004, with the trade value of 10,917.6 US million to 18,175.8 US million in 2007. Thailand's export to Malaysia has also increased annually, which is a direct result of the tariff reduction under CEPT scheme that makes Thai products become cheaper in Malaysian market. On the other hand, Thailand's import of Malaysian products had increased from 2004 to 2006, accounted for 5,586.9 US million, 8,132.8 US million and 9,295.0 US million respectively. In 2007 Malaysia's import to Thailand reduced 2.2 percent. The cause was from the decline in Malaysia's biggest import category to Thailand, electrical and electronics appliances, which was a result from a downturn in the global market for electrical and electronics in 2007.⁴²

⁴¹ Country Profile: Malaysia (in Thai)

Board of Investment, Thailand

http://www.boi.go.th/thai/asean/Malaysia/sum_n.html (Access on September 28,2008)

⁴² Country Profile: Malaysia (in Thai), *ibid.*

Table 13: Thailand-Malaysia Trade 2004-2007

Thailand-Malaysia	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	10,917.6	13,955.5	16,493.8	18,175.8	10.1
Export	5,330.7	5,822.7	7,198.8	8,139.8	13.0
Import	5,586.9	8,132.8	9,295.0	9,087.9	-2.2
Trade Balance	-2,560.2	-2,310.1	-2,096.2	-948.1	-

Source: Thai Customs Department

Thailand- Philippines

Philippines is Thailand's fourth largest trading partner in ASEAN after Malaysia, Singapore and Indonesia. The trade value between Thailand and Philippines from 2004 until 2007 accounted for 3,398.4 US million, 3,950.4 US million, 5,115.9 US million, and 5,290.7 US million respectively. The Table 14 shows that Thailand has been in a trade surplus with Philippines since 2004. Thailand's export to Philippines has continued to grow increasingly. The major products to Philippines are mainly manufactured products namely machinery, electronics appliances, automobiles and auto parts, chemical products, plastic beads. As of import, Philippines is the fourteenth biggest importer overall or the sixth biggest ASEAN importer for Thailand. Major imported products from Philippines are computers and accessories, electronic circuits, auto parts and accessories, chemical products and plastic products.⁴³

⁴³ General Information: Republic of the Philippines (in Thai)

Table 14: Thailand-Philippines Trade 2004-2007

Thailand-Philippines	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	3,398.4	3,950.4	5,115.9	5,290.7	3.4
Export	1,840.0	2,057.5	2,794.2	3,029.2	8.4
Import	1,558.3	1,892.9	2,321.7	2,261.5	-2.5
Trade Balance	281.7	164.6	472.5	767.7	-

Source: Thai Customs Department

Although Philippines is not Thailand's major export and import market for Thailand but Philippines is one of the major competitors in goods to global markets. Given that both Thailand and Philippines' export structures are rather similar, for example electronics appliances, computer accessories, electronic circuits, auto parts and accessories and textile and clothing, the two countries have to compete in their goods in global markets and increase their competitiveness in the markets as well.

Thailand-Singapore

Thailand and Singapore have traditionally held a strong relationship. The two countries cooperate closely on the regional level as well as on the international arena.⁴⁴ Up until 2005, Singapore had been Thailand's biggest trading partner in Southeast Asia. The

<http://www.apecthai.org/cd/Asia/Philippines.htm> (Access on September 28,2008)

⁴⁴ Foreign Policy with Thailand

Ministry of Foreign Affairs, Singapore

http://app.mfa.gov.sg/2006/idx_fp.asp?web_id=1 (Access on November 10,2008)

Thailand-Singapore trade value with Thailand accounted for 11,234.1 US million, 316.5 US million more than Malaysia, the second biggest trading partner in 2005. However, Singapore was replaced by Malaysia in 2006 and Singapore has been the second biggest ASEAN trading partner for Thailand since then.

The importance of Singapore to Thai economy is greater than how Singapore's economy is dependent on Thailand, meaning that Singapore is Thailand's second biggest trading partner and the biggest ASEAN export market for Thailand. On the other hand, Thailand is the ninth largest import source for Singapore and ranks seventh for Singapore's export market in Southeast Asia. Moreover, Thailand is the major investment destination for Singaporean companies. According to the Ministry of Foreign Affairs, Singapore is the third largest foreign investor to Thailand behind Japan and the United States.⁴⁵

Thailand has been in a trade surplus with Singapore since 2004. Major export products to Singapore are electronic circuits, printing machines, diode transistor, computers and accessories, air-conditioners, automobiles and auto parts and rubber. Alternatively, Singapore's export products to Thailand are almost the same as the products imported from Thailand namely electronic circuits, printing machines, electrical products, and diode transistor.

The Table 15 shows that Thailand's export to Singapore has increased from 2004 until 2007, with the value of 7,049.9 US million, 7,701 US million, 9,102.7 US million and 9,944.5 US million respectively. When compared export value in 2004 and 2007, it shows that the export value rose by 41 percent.

⁴⁵ Foreign Policy with Thailand
Ministry of Foreign Affairs, Singapore
http://app.mfa.gov.sg/2006/idx_fp.asp?web_id=1 (Access on November 10,2008)

Table 15: Thailand-Singapore Trade 2004-2007

Thailand-Singapore	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	11,234.1	13,112.3	15,333.3	16,572.0	8.0
Export	7,049.9	7,701.0	9,102.7	9,944.5	9.2
Import	4,184.2	5,411.3	6,230.5	6,627.5	6.3
Trade Balance	2,867.5	2,289.7	2,872.2	3,317.0	-

Source: Thai Customs Department

Among the exported product lines to Singapore, electronics appliances are considered the biggest growth mainly owing to the increasing of investment in the field of Hard Disk Drive in Thailand, which resulted in greater export of these lines of products.⁴⁶ Other product lines including computers, parts and accessories are facing with a slowdown in export to Singapore mainly due to other major competitors in the region namely Indonesia and Malaysia.

⁴⁶ Trade Situation between Thailand and Singapore (in Thai)
 Ministry of Commerce, Department of Trade Promotion
<http://www.dep.thai.go.th/DEP/DOC/51/51012300.doc> (Access on September 28,2008)

Thailand's trade with new ASEAN members

The ASEAN new members are Vietnam, Laos, Burma and Cambodia. Given that these countries joined ASEAN later, they have not fully met AFTA's obligations in reducing intra-regional tariffs. The newcomers have been given a longer timeframes in order to fulfill the objectives of CEPT scheme under AFTA. However, *“these new member countries are not far behind in the implementation of their CEPT Inclusion Lists. About 66 percent already have tariffs within 0-5 percent tariff band. Vietnam has until 2006 to bring down tariff of products in the Inclusion List to no more than 5 percent duties, Laos and Myanmar in 2008 and Cambodia in 2010”*.⁴⁷

Thailand-Vietnam

Vietnam is the fastest economic growth within ASEAN and the second fastest in Asia after China. Vietnam is considered a rising and new market in Asia therefore many countries aim to make Vietnam their trading partner.

For Thailand, Vietnam is the fifth biggest ASEAN trading partner after Malaysia, Singapore, Indonesia, and Philippines. For Thailand, Vietnam is the fourth largest ASEAN export market and the ninth largest export market in the world. Major products Thailand exports to Vietnam are fossil fuel, plastic products, iron and steel, engines and chemical products. As of import, Vietnam is not a major import market to Thailand as it ranks sixth in ASEAN and twenty-seventh in the world. Vietnamese products imported to Thailand are computers, crude oil, iron and steel and products, machinery and accessories, and medical equipment.⁴⁸

⁴⁷ Association of Southeast Asian Nation: Trade in ASEAN Free Trade Area
<http://www.aseansec.org/12021.htm> (Access on September 28,2008)

⁴⁸ Vietnam: Country Profile (in Thai)

Ministry of Foreign Affairs

<http://www.mfa.th/web/479.php?id=273> (Access on September 28,2008)

Thailand has been in a trade surplus with Vietnam and the number has grown year by year. The remarkable point in Thailand-Vietnam trade is in 2006 after Vietnam completed its obligations in the AFTA's reduction of intra-regional tariffs. The trade between Thailand and Vietnam rose by 18.7 percent, from 4,325.5 US million to 5,136.7 US million. Thai export also rose between 2006 and 2007, from 3,340.1 US million to 3,965.3 US million, accounted for 18.7 percent growth.

Thailand's major export in 2006 after Vietnam fully met the AFTA's obligations are fossil fuel which had the highest export value at 397.6 US million, followed by plastic products, 272.8 US million.⁴⁹

Furthermore, Thailand and Vietnam also cooperate in rice sector given that the two countries are the two biggest rice exporters to the world market. In 2006 Thailand and Vietnam's private sectors, Thai Rice Exporters Association and The Vietnam Food Association, began to cooperate in rice production, which, if successful, would make Thai and Vietnamese rice producers have greater access to the world market and to have even better competitiveness in the world rice market.⁵⁰

⁴⁹ Vietnam-Thailand Trade Exceeds US\$3 billion in Nine Months
VietnamNet Bridge(08/11/2006)

<http://english.vietnamnet.vn/biz/2006/11/631293/> (Access on September 28,2008)

⁵⁰ Charin Hansuebsan. Thailand-Vietnam: From Competitors to Rice Alliance in Global Market
International Institute for Trade and Development, Thailand
<http://www.itd.or.th/th/node/326/107> (Access on September 2008)

Table 16: Thailand-Vietnam Trade 2004-2007

Thailand-Singapore	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	2,326.4	3,267.7	4,325.5	5,136.7	18.7
Export	1,884.3	2,369.5	3,340.1	3,965.3	18.7
Import	442.1	898.2	985.3	1,171.3	18.8
Trade Balance	1,442.2	1,471.3	2,354.8	2,794.0	-

Source: Thai Customs Department

Thailand-Laos

Despite several setbacks between Thailand and Laos in the past, Laos is considered one of the closest neighboring countries to Thailand considering the two countries' similarity in culture, language and way of life.

Given that Laos is a small country, most goods transaction to and from Laos is done with neighboring countries namely Thailand, Vietnam, and China. The value of trade with these neighboring countries is accounted for 90 percent of the total international trade for Laos.⁵¹ Therefore, Thailand-Laos trade's characteristic is relatively unique as the trade occurs mostly on the borders between the two countries.

Laotian trade value with Thailand is accounted approximately 70 percent of total trade with the neighboring countries and it has increasingly grown annually. In 2004 trade

⁵¹ Vixay Santivong. Country Paper: Laos, National Statistics Centre, LAO PDR United Nations, Department of Economics and Social Affairs, Statistics Division, pp. 3-17.

value between Thailand and Laos was 699.8 US million, in 2005 1,002.2 US million, 1,670.6 US million and 1,863.7 US million in 2006 and 2007 respectively.

Major Thai products to Laos are mostly manufactured and consumer goods such as fuels, textiles, iron and steel, motor vehicles and parts, chemical products, and construction equipment. On the contrary, Laotian products imported to Thailand are mainly raw materials or semi-raw materials such as logs, woods, mineral ores, coal, agricultural and forest products.⁵²

Table 17: Thailand-Laos Trade 2004-2007

Thailand-Laos	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	699.8	1,002.2	1,670.6	1,863.7	11.5
Export	584.5	774.1	1,160.2	1,369.9	18.0
Import	115.2	228.1	564.3	493.8	-12.4
Trade Balance	469.3	546	595.6	876.1	-

Source: Thai Customs Department

Regarding Thailand-Laos trade, Thailand has a big amount of trade surplus. In 2007, Thailand-Laos trade provided Thailand the fourth biggest trade surplus within ASEAN, after Singapore, Vietnam and Cambodia. According to the Table 18, Thailand's

⁵² Baht's Strength: Harm Exporters of Frozen Foods but Benefits for Sectors Reliant on Imported Raw Materials, National Bureau of Agricultural Commodity and Food Standards
http://www.acfs.go.th/news_detail.php?ntype=09&id=970 (Access on September 28,2008)

trade balance with Laos in 2007 was accounted for 876.1 US million, a 47 percent growth from the previous year.

Laos, however, at the beginning of the year 2008 has boosted its trade flow with its neighboring countries mainly due to the completion of the construction of new cross-border infrastructure which is expected to contribute to the economic development of the country and also to facilitate economic and commercial exchanges with neighboring countries like Thailand.⁵³

Thailand-Myanmar

Thailand had a huge amount of trade surplus with Myanmar until 2000 when Thailand first imported natural gas from Myanmar. Since that time onwards, Thailand has been in a trade deficit with Myanmar.

Thailand is the biggest trading partner for Myanmar, accounted for 26.8 percent. Thailand's import value from Myanmar is the fifth biggest in ASEAN. The most important import product from Myanmar is natural gas which is accounted for 86 percent of total import. Other products are including woods, mineral ores, meat, and crude oil. It is interesting to note that Thailand has continued to import natural gas from Myanmar increasingly and the growth rate of natural gas imported from Myanmar increased 38 percent in 2005 and 27 percent in 2006.⁵⁴

While Myanmar has continued to increase its natural gas export, Thailand, on the contrary, has decreased its export to Myanmar, which resulted in a trade deficit. Thai's trade deficit with Myanmar increased since 2004 but, however, decreased in 2007 at the level at -1,423.2 US million, which is a 20.1 percent fall from the previous year.

⁵³ Laos, Thailand Trade to Jump more than US\$ 900 million
<http://enews.mcot.net/view.php?id=5989> (Access on September 29,2008)

⁵⁴ Trade Relations: Thailand-Myanmar

Board of Investment

http://www.boi.go.th/thai/clmv/2008_myanmar/myn-relation6.htm (Access on September 29,2008)

Thailand's major export products to Myanmar are petroleum products, accounted for 14.6 percent of total Thai export to Myanmar, chemical products, plastic beads, iron and steel and products, textile and fruits. Petroleum products are the major products to Myanmar's market with the growth rate of 231.5 percent in 2005. This is mainly due to Myanmar prefers to import these product lines from Thailand rather than from Singapore.⁵⁵ The reason why Myanmar prefers to import petroleum products from Thailand to Singapore is that Thailand is closer to Myanmar and thus the cost is cheaper. Another Thai product that had a great growth rate is cement. In 2006 the growth rate accounted for 110.2 percent and the cause of this is due to Myanmar needed to build its new capital city.

Table 18: Thailand-Myanmar Trade 2004-2007

Thailand-Myanmar	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	1,971.1	2,507.3	3,358.7	3,427.1	2.0
Export	608.1	708.2	824.2	1,001.9	21.5
Import	1,362.9	1,797.8	2,534.5	2,425.1	-4.3
Trade Balance	-754.8	-1,089.6	-1,710.3	-1,423.2	-

Source: Thai Customs Department

⁵⁵ The Federation of Thai Industries: Plastic Industry Club
<http://www.ftiplastic.com/new/en/ppetro.php> (Access on September 28,2008)

According to Table 18, it shows that in 2007 Thailand reduced its import from Myanmar, which contributed to the lesser trade deficit when compared with the previous year. The main reason is that Myanmar's government banned exporting woods and other forestry products, which resulted in Thailand's lower import from Myanmar.

Thailand-Cambodia

Cambodia is not a significant trading partner for Thailand but Thailand has been having a huge amount of trade surplus from Thailand-Cambodia trade. Thailand's trade surplus with Cambodia accounted for 699.4 US million, 888.3 US million, 1,305.2 US million and 1,364.5 US million in 2004, 2005, 2006 and 2007 respectively.

Thailand is one of the most important import markets for Cambodia or the third biggest import source after China and Hong Kong. Major products Cambodia imports from Thailand are petroleum products, motor vehicles and accessories, cement, textile, chemical products and foodstuffs. Petroleum products are the major product lines exporting to Cambodia with the share of 13.2 percent of total export.⁵⁶

As mentioned above that Cambodia is not Thailand's significant partner, globally or in ASEAN. Cambodia ranks seventy-eighth in the world as Thailand's import market. Imported products from Cambodia are mineral ores, woods and products, and leather. However, trade between the two countries occurs via borders, similar to Thai trade with Laos and Myanmar. The Thailand-Cambodia cross-border trade is accounted for 83 percent of total trade between the two countries.

According to Table 19, Thailand-Cambodia trade has increased gradually. In 2007 trade value between Thailand and Cambodia was 1,466.8 US million, a 6.2 percent higher than the previous year, in which trade value was accounted for 1,380.7 US million.

⁵⁶ Trade Relations: Thailand-Cambodia (in Thai)
Board of Investment
http://www.boi.go.th/thai/clmv/2008_cambodia/Cam_intertrade3.htm (Access on September 29, 2008)

Table 19: Thailand-Cambodia Trade 2004-2007

Thailand-Cambodia	Value in US million				Growth (%)
	2004	2005	2006	2007	2006/2007
Trade Value	755	951.7	1,380.7	1,466.8	6.2
Export	727.2	920	1,342.9	1,415.6	5.4
Import	27.8	31.7	37.7	51.1	35.5
Trade Balance	699.4	888.3	1,305.2	1,364.5	-

Source: Thai Customs Department

Besides the increase in trade volume between Thailand and Cambodia, export and import also escalated. Thailand's export to Cambodia has risen from 727.2 US million in 2004 to 920 US million in 2005, to 1,342.9 US million in 2006 and 1,415.6 US million in 2007. From 2004-2007, Thailand's export to Cambodian market expanded by 94.6 percent. Cambodia's import to Thailand has also increased even though Cambodia's import does not mean a significant contribution to total Thai import. From 2004-2007, Thailand's import from Cambodia grew by 83.8 percent or from 27.8 US million to 51.1 US million.

Cambodia, as the newest member country to ASEAN, has not yet fulfilled the AFTA's obligations in reducing the tariffs to 0-5 percent but the timeframe is set to 2010. Nevertheless, the trade between Thailand and Cambodia after 2010 is not expected to rise increasingly mainly due to the nature of low trade volume between the two countries.

After the realization of the AFTA implementation within Southeast Asian region in 2003, Thailand, overall, has increased its exportation to the region immensely. According to the statistics from the Ministry of Commerce, Thailand's export to ASEAN in 2003 increased by 22 percent and Thailand's import from ASEAN also increased by 15 percent. The growth of trade volume between Thailand and ASEAN has been a direct effect of the ASEAN Free Trade Area.

However, the benefits Thailand receives from the AFTA cannot be finalized yet as long as the AFTA is not yet been fully realized. To answer the first question the author has set earlier of the chapter which concerns the impact of the AFTA on Thailand after 2010 when all the tariff lines will be reduced totally. The author believes that the AFTA after 2010 will also be beneficial to Thailand and that Thailand will still manage to expand its products to ASEAN market continuously. The reasons are the following;

◆ Thailand's major products namely automobiles and auto parts, textiles and clothing, plastic products and electronic and electric products are needed in ASEAN market. The total elimination of all the tariff lines in 2010 will surely help to boost Thailand's export to ASEAN market. Some might argue that these products can be produced and exported from other ASEAN member countries as well given the fact that most ASEAN countries share similar resource inputs and are similarly engaged in producing high-tech and labor-intensive exports which often result in competition among these ASEAN countries with one another in similar products.⁵⁷ However, when compared to other ASEAN countries, Thailand still has advantages over product quality, skilled labor, and technology which are factors increasing Thai products' competitiveness and thus can gain greater access to ASEAN market.

⁵⁷ Regional Integration, Trade and Conflict in Southeast Asia. The Singapore Institute of International Affairs, (January 2007), pp. 18.

◆ Thailand has been major attraction for foreign direct investors who look for a new production base in the Southeast Asian region. Foreign investors introduce new products which differ from the product structure of ASEAN countries. In this sense, Thailand is equipped with new export structure that differs from other ASEAN competitors. As a result, Thailand can gain more access on particular product markets in the region. The obvious example is Hard Disk Drive (HDD) industry. Being supported by Japanese investors, Thailand, at the moment, ranks the world's number one of HDD manufacturer. The HDD sector has created more than 100,000 jobs and has contributed greatly for the country's export values. Therefore, the reduction on tariff barrier through foreign direct investment in AFTA can encourage more foreign investment in the country and thus can increase the country's export to the region as well as to the global market.

◆ Thailand's advantage in geography especially compared to other Southeast Asian countries is also another major factor that makes Thailand important in the region. Another important factor for Thailand is that the Thai governments have shown strong interest in Thailand's foreign trade. The governments have attempted to make Thailand "a regional hub" or a central of the region. These two advantages, geography and strong political will, are proved to be very significant for Thailand's capability to extend and expand its export market and its trade flow within the Southeast Asian region.

However, it is important to note that the AFTA might become less important and less effective regarding trade relations among the ASEAN member countries in the near future. This is mainly due to the ascent of a more modern and a more effective way in trading system, or to be put in other words, the member countries has favored trading system in a form of bilateral free trade agreement rather multilateral or regional free trade agreement. As far as globalization is concerned, bilateral free trade agreement plays great role in the world trade today. Among ASEAN member countries, major players namely Singapore, Malaysia as well as Thailand have tried to seek cooperation on the bilateral level with their trading partners as it is believed that the utmost benefits can be truly achieved through this kind of agreement. Moreover, the AFTA provides different level of benefits to different ASEAN member countries. For example, the new ASEAN member countries do not reap as much benefits from the AFTA as the old member countries. In response, the new member countries might try to form a sub-group within AFTA in order to enhance their bargaining power which might threaten the ASEAN unity as a whole. The major impact on ASEAN overall from the abovementioned statement is that ASEAN might face difficulty in bringing ASEAN Economic Community into being if member countries do not show mutual and strong interest in regional economic integration which would result in weaker ASEAN voice and weaker bargaining power in the international arena.

Chapter 3

Thailand's FTA with Australia (TAFTA) and Japan (JTEPA)

Thailand-Australia Free Trade Agreement (TAFTA)

I. An Overview of Thailand-Australia Trade Relations

When the trade relations between Thailand and Australia is observed, it is clear to say that Australia is important to the Thai economy much more than Thailand is to Australia's economy. Australia is considered an important market for Thai exports. According to the statistics presented by Bank of Thailand, Australia has been Thailand's 8th largest goods export market since 2005, when the TAFTA came into force. The Australian position to Thai export market was up four places from 2004, when Australia ranked twelfth. Thailand's export to Australia has been tremendously increasing for the past three years from 3,174.5 US million to 4,349.6 and to 5,720.5 US million in 2005, 2006 and 2007 respectively. However, Thai export to Australian market prior to the implementation of TAFTA was quite low mainly due to high tariff barriers or import quotas imposed by Thailand. Statistics show that from 2000 until 2003 Thai export to Australia accounted for an average of 1,600 US million, or 36 percent lower than Thai export to Australia nowadays.

Since the implementation of the TAFTA, Thailand has established itself as an alternative centre for electronics, motor vehicle and household goods. Therefore, in recent years the major area of growth in Thai exports to Australia is including motor vehicles and parts, accounted for 64 percent of total Thai exports to Australia, machineries and

equipments, accounted for 13 percent, processed food, accounted for 6 percent and chemical and plastic products comprised of 5 percent.⁵⁸

Table 20: Thailand-Australia Trade Balance (2001-2007)

(Value in US million)

	2007	2006	2005	2004	2003	2002	2001
Export	5720.5	4349.6	3174.5	2467.7	2159.9	1641.7	1361.7
Import	3800.6	3410.3	3253.1	2197.4	1567.9	1493.8	1346.7
Trade balance	1919.9	939.2	-78.6	270.2	591.9	120.8	15.0

Source: Bank of Thailand

Table 21: Thailand-Australia Trade, 2008 (January-June)

Value in Baht Million)

	2007 (Jan.-Jun.)	2008 (Jan.-Jun.)	Growth (%)
Export	93,843.4	112,921.4	20.3
Import	63,450.3	79,937.1	25.9
Trade Balance	30,393.1	32,984.2	/
Total	157,293.8	192,858.5	22.6

Source: Department of trade negotiation

On the other hand, Australia is relatively important as Thailand's import source. According to the Bank of Thailand, Australia ranks tenth for Thai import market in 2007. Australia's main exports to Thailand are primary products namely wool, cotton, cereal, and dairy products which accounted for approximately 13 percent of total Australian exports to

⁵⁸ Utilization of Free Trade Agreement. Thailand Development and Research Institute, (TDRI), 2006., p. 124.

Thailand. Besides primary products, manufactured metals including aluminium, gold, crude oil, iron, and copper dominate Australian import to Thailand. These commodities comprised more than half of Australia's total goods exports to Thailand, worth 2.5 billion AS\$ in 2007.⁵⁹

Thailand has been running a trade surplus with Australia since 2000 with the exception in 2005 when Thailand had a small deficit, with imports exceeding exports by 78.6 US million. The Table 20 shows that after the implementation of the TAFTA especially in 2006 and 2007, Thailand's trade balance with Australia increased by 104.4 percent, from 939.2 US million in 2006 and to 1919.9 US million in 2007.

As already mentioned above, Thailand's automobile sector plays a vital role in Thailand-Australian trade as the automobile industry has been the biggest sector in exporting to Australian market. Furthermore, other sectors namely agricultural sector, textile and clothing sector, electronics and electrical sector contribute immensely to the Thai-Australian trade as well. After the implementation of the TAFTA, these industries received a direct effect, some positively and some negatively. The next section will illustrate how Thailand's big industries were affected by the introduction of the FTA between Thailand and Australia.

II. The Thailand-Australia Free Trade Agreement (TAFTA)

During the fourth Ministerial Conference held by the World Trade Organization in Doha, Qatar in 2001, Minister of Commerce from Thailand and Minister of Trade of Australia announced that both Thailand and Australia would establish a Joint Scoping

⁵⁹ Australia-Thailand trade: recent trends
Department of Foreign Affairs and Trade
http://www.dfat.gov.au/publications/stats-pubs/downloads/aus_thai_trade.pdf (Access on September 20, 2008)

Study concerning free trade agreement between the two countries. The study would include trade in goods, trade in service and investment.

On May 2002, Both Prime Ministers from Australia and Thailand announced that the two countries would begin negotiations towards a Closer Economic Relations Free Trade Agreement (CER-FTA). The first round of negotiation began in August 2002 when the two countries agreed on 5,000 products under the CER-FTA. After ten rounds of negotiations, Thailand and Australia decided to conclude the free trade agreement on July 5, 2004 and came into force on January 1, 2005.

Trade in goods

Australia eliminated its import tariffs to 0 percent on more than 83 percent of Thai imported products when the agreement came into force, 1 January 2005. Thai products that can enjoy this advantage are the following; fresh fruits and vegetables, canned pineapples and pineapple juice, processed foods, small passenger vehicles and pick-up trucks, gems and jewelry, etc.⁶⁰

Australia will gradually reduce the import tariffs for the rest of the products accordingly to the timeframe agreed during the negotiations. By 2010 and 2015, tariffs on plastic products, rubber and rubber products, and textiles and garments will be reduced to 0 percent.

Thailand, on the other hand, agrees to eliminate the country's high tariff barriers on more than 50 percent of product lines immediately to 0 percent on the entry into force of TAFTA. Most of the products are raw materials including mineral ore, fuel, chemicals, raw and tanned hides.⁶¹ Another 45 percent of products will be reduced the import tariffs to 0 percent by 2010. However, tariffs on sensitive products including skim milk powder, liquid

⁶⁰ Fact Book: Thailand-Australia Free Trade Agreement (in Thai), 3rd ed., Department of Trade Negotiation, (Bangkok, Thailand, 2007), pp. 3-24.

⁶¹ Fact Book: Thailand-Australia Free Trade Agreement (in Thai), *ibid.*

milk and cream, meat, tea, coffee or dairy and meat products will be eliminated between in 2015 and in 2020.

Trade in services and Investment

Under the Agreement, Australia has opened its border to Thai investment. Thai companies, service providers, or investors are encouraged to invest in Australian market in a range of sectors consistently with Australia's current policy on foreign investment. However, there are some exceptions that Thai investment is not allowed due to Australian national security, including media, broadcasting and civil aviation.⁶²

The Agreement also states that *“Thai national executives, managers, specialists, and their families are permitted to enter and stay for up to four years with extension of up to ten years. Thai chefs certified by the Department of Skills Development at the Ministry of Labor who have been employed by an Australian concern may work in-country for up to four years and are no longer required to meet the conditions of the economic needs test, whereby an employer must first, for a period of 4 weeks, seek applications from Australian nationals to fill the position before hiring a foreign national”*.⁶³

Australia also enjoys large-scale investments in Thailand under the TAFTA. The Thailand-Australia FTA provides incentives to attract Australian investors as they can own up to 60 percent in Thai SMEs including in telecommunication, computers, construction, education, distribution, tourism, mining and other sectors.⁶⁴

As far as trade in services and movement in natural persons are concerned, the TAFTA allows “Australian executives, managers, and specialists to stay in Thailand for

⁶² Thailand: Commercial Developments 2004 in Review
http://www.hg.org/articles/article_1057.html (Access on September 4, 2008)

⁶³ Fact Book: Thailand-Australia Free Trade Agreement (in Thai), *ibid*.

⁶⁴ Thailand's Free Trade Agreements

Board of Investment http://www.boi.go.th:8080/issue/200507_17_6/17.htm (Access on September 4, 2008)

periods of up to 1 year, with extensions up to 5 years.”⁶⁵ In other words, the Agreement covers trade in all goods, services, and investment. It provides both countries bigger access to local markets, promotion on exports and easier pathways for investments.

III. Impact of TAFTA on Selected Industries

Thailand’s Automotive Industry

The automotive industry is considered one the most promising industries in Thailand. Thailand stays one of top fifteen largest automotive producers in the world by producing more than one million passenger cars and commercial cars per year.⁶⁶ Thailand produced 1.18 million vehicles in 2006 and 1.2 million units in 2007.⁶⁷ Given the fact that Thailand has been pushing to become *the Detroit of Asia*, Thailand has strongly attempted to become the centre of automotive manufacture of Asia, which, as a result, would drive many foreign automotive makers around the world to relocate their plants to Thailand.

Thailand’s automotive industry specializes in the production of one-ton pick-up trucks, and passenger cars and most of these types of vehicles sold in Australia are produced in Thailand.⁶⁸ Furthermore, Oceania, to which Australia belongs, is the second largest automotive export for Thailand after the Middle-East region. As in 2006 Thailand exported 122,034 vehicles to the Oceania region.⁶⁹

Under the TAFTA (Table 22), Australia eliminated tariffs on all Thai passenger vehicles, off-road vehicles, good vehicles and other commercial vehicles. The removal of

⁶⁵ Fact Book: Thailand-Australia Free Trade Agreement (in Thai), *ibid*.

⁶⁶ Automotive Industry in Thailand

Office of Industrial Economics, Ministry of Industry, January 2006.

www.oie.go.th/industrystatus2/En_AutomotiveIndustryinThailandJune2006.pdf (Access on September 5, 2008)

⁶⁷ Statistics derived from Thailand Automotive Institute

⁶⁸ Australia-Thailand trade: recent trends, *ibid*.

⁶⁹ Thailand Automotive Institute

Automotive Industry in Thailand: March 2007

tariffs on imported vehicles from Thailand under TAFTA has greatly provided a positive effect on the Thai automotive industry. As seen from the Table 23 and Table 24, it is obvious that after the implementation of TAFTA Thailand has continued to increase its export of vehicles to Australia. When compared vehicle exports to Australia between 2004 and 2006, it suggests that the TAFTA had truly contributed to the increase of auto export from Thailand to Australia. The figure shows that the growth of Thai auto exports to Australia in 2004/2005 accounted for 65.6 percent. The same pattern of growth can also be seen in 2005/2006 when Thai auto exports to Australia increased by 22.5 percent.

Table 22: Australian’s Automotive Tariff Reduction on Thai Automotive Products

Types of vehicles	Tariff removal
<ul style="list-style-type: none"> •Vans •Pick-up trucks •Similar vehicles 	Eliminated immediately (January 1, 2005)
<ul style="list-style-type: none"> •Passenger cars 	Eliminated immediately (January 1, 2005)
<ul style="list-style-type: none"> •Parts and •Accessories used as components in passenger motor vehicle 	Will be eliminated by January 2010

Source: Ministry of Industry, Australia

Table 23: Export of Thailand – Vehicles other than Railway, Tramway (2002-2006)

(Value in US million)

Country	2006		2005		2004		2003		2002	
	Export	Share of Total Export (%)	Export	Share of Total Export (%)	Export	Share of Total Export (%)	Export	Share of Total Export (%)	Export	Share of Total Export (%)
Australia	1514.5	15.0	1235.9	15.16	745.9	12.9	613.8	14.8	359.2	11.9
Indonesia	685.2	6.7	914.8	11.2	684.2	11.8	359.3	8.6	151.6	5.0
Saudi Arabia	624.1	6.1	476.4	5.8	N/A	N/A	N/A	N/A	N/A	N/A
United Kingdom	620.3	6.1	N/A	N/A	435.1	7.5	312.7	7.5	191.3	6.3
Japan	505.0	5.0	418.7	5.1	423.1	7.3	445.1	10.7	267.8	8.9
Malaysia	N/A	N/A	436.1	5.3	N/A	N/A	N/A	N/A	N/A	N/A
Singapore	N/A	N/A	N/A	N/A	301.8	5.2	N/A	N/A	N/A	N/A
Philippines	N/A	N/A	N/A	N/A	N/A	N/A	195.9	4.7	N/A	N/A
Belgium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	352.1	11.7

Source: International Trade Centre

N/A: Not Available

Table 24: Vehicle Exports (HS Code 87) to Australia in 2006-2008**(Value in US million)**

2006	2007	Growth (%)	Jan.-Sep. 2007	Jan.-Sep. 2008	Growth (%)
1608.9	2631.2	63.5	1902.2	1819.7	-4.3

Source: Thai Customs Department

Note:

The exchange rate Thai Baht to one US dollar in December 2006 is 35.6 to 1 U.S. Dollar

The exchange rate Thai Baht to one US dollar in December 2007 is 30.1 to 1 U.S. Dollar

The exchange rate Thai Baht to one US dollar in September 2007 is 32.0 to 1 U.S. Dollar

The exchange rate Thai Baht to one US dollar in September 2008 is 33.4 to 1 U.S. Dollar

The Table 24 again illustrates how the TAFTA has contributed to the escalation of the Thai exports to the Australian market. According to the Thai Customs Department, Thailand's vehicle export to Australia increased as much as 63.5 percent in 2006/2007. This growth in the automotive industry was of course the impact of the TAFTA implementation. Thailand has expected that by the end of the year 2008 Thailand's vehicle exports will continue growing rather satisfactorily despite the global financial crisis which had affected Australia, Thailand's number one auto export destination.⁷⁰

To sum up, Thailand is now on track to become a foremost regional automotive exporter. In 2005 after the implementation of the TAFTA, Thailand's automotive exports increased by 30 percent compared to 2004. Due to the removal of tariffs, Australian importers are encouraged to choose to switch to import cars from Thailand rather than from Japan, which contributed to the growth of Thai automotive exports. As a result, according to the Australian Foreign and Trade Department, Australia imports of Thai passenger and goods motor vehicles have more than tripled from AS\$ 1 billion in 2004 to AS\$3.2 billion in 2007. It is also predicted that by 2011 Thailand will double its current

⁷⁰ Vehicles Export Sound Despite Global Slowdown, MCOT 16 October 2008
<http://enews.mcot.net/view.php?id=6805> (Access on September 9, 2008)

light vehicle assembly which will account for over half of the total assembly within ASEAN.⁷¹

Thailand's Agricultural Sector

Agricultural products are among the main category which is affected from the TAFTA the most. In 2005 when the TAFTA came into force, Thailand started reducing the import tariffs on products from Australia. Although Thailand is competitive in many agricultural products, by implementing the TAFTA, Australia, whose position are already among the top agricultural exporting countries, Thailand faces with huge deficit in agricultural trade especially in dairy and meat products.

After the implementation of the TAFTA, Thai imports of food and agricultural products are growing at a faster rate than exports. According to the statistics presented by the Office of Agricultural Economics, it shows that the Thailand-Australia FTA has resulted in the growth in Thailand's importation rather than exportation. Between January and September 2005, food imports from Australia increased by 27 percent while exports from Thailand increased by 16 percent.⁷² The most obvious impact on agricultural products can be seen in dairy and meat products, which will be discussed in the following section.

⁷¹ Victorian Government Submission to the Automotive Review, (May 2008)
www.diird.vic.gov.au/corplivewr/_assets/main/lib60026/automotive%20review_may%2008_web.pdf
(Access on September 10, 2008)

⁷² Sajin Prachason. Focus on the Global South: Falling into a Spaghetti Bowl: A Review of the Impact of FTAs on Thailand, (May 2007)
<http://www.ftawatch.org/download/files/spaghetti%20bowl-FTA-%20LAST%20version%2025-05-07%20ARSA.pdf> (Access on September 10, 2008)

Dairy Products

Historically, Thailand has always set high tariffs, quotas and extensive regulation on dairy industry as a way to protect local producers. However, supply on dairy products by local producers is usually not met by a high rate of demand. As a result, Thailand has to import dairy products which are accounted for 500 US million a year.

Under the TAFTA, Thailand's current tariff rates for certain types of dairy products were immediately eliminated to 0 percent on the day TAFTA entered into force. Other dairy products are gradually reduced tariffs until reach zero by 2020. Products belonging to this category are the following; whole milk powder or fat dried milk phased down from 5 percent to 3 percent in 2008 and eliminated totally in 2009. Milk and cream not containing added sugar reduced from 30 percent to 27 percent in 2006 and will be eliminated to 0 percent in 2013. Milk containing added sugar, with the tariff rate at 27 percent at the moment, will be reduced by 6 percent each year until 0 in 2010. Tariff on skimmed milk powder or non-fat dried milk will be eliminated in 2020.⁷³ The preliminary result showed that imports of milk and dairy products increased from 57 US million in 2004 to 91 US million in 2005 which is accounted for 60 percent increase. Furthermore, imports of skim milk powder increased massively by almost 140 percent in value within one year after the FTA implementation.

Australia has always been one of the main importers of dairy products for Thai market mainly due to Thailand's need for food processing industry. According to the statistics, Australia has a fierce competition in Thai dairy products market share with other main competitors namely New Zealand, the European Union and to some extent the United States. However, in milk and cream category, Australia dominates the Thai market as

⁷³ Nattapol Sriphotchanat., *ibid.*

much as an approximately of 60 percent of total milk and cream import to Thailand while New Zealand is the second largest importer of this item.⁷⁴

Insufficient supply of raw milk, dairy products or Thailand's need for dry milk products and other dairy products relating to Thai food processing industry are reasons driving Thailand to import from other countries. Moreover, the introduction of the school milk program by the government⁷⁵ and Thais' concern about health and nutrition has also stimulated domestic consumption and contributed to the greater demand of milk products, which gives Australia a great opportunity to get access to Thai market.

Table 25: Thailand's Dairy Products Import (HS Code 04) from Australia 2005-2008
(Value in US million)

2005	2006	2007	Growth 05/06 (%)	Jan.-Sep. 2007	Jan.-Sep. 2008	Growth (%)
79.2	97.2	87.4	22.7	50.4	61.1	21.2

Source: Thai Customs Department

Note:

The exchange rate Thai Baht to one US dollar in December 2005 is 41.0 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in December 2006 is 35.6 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in December 2007 is 30.1 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in September 2007 is 32.0 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in September 2008 is 33.4 to 1 U.S. Dollar

Statistics from the Thai Customs Department illustrates how Thailand has continued to import dairy products from Australia. The Table 25 shows that since the realization of the TAFTA, Thai markets have been penetrated by cheaper dairy products from Australia. Between 2005 and 2006 Thailand increased dairy products export from Australia from 79.2 US million to 97.2 US million, or accounted for 22.7 percent growth.

⁷⁴ Fact Book: Thailand-Australia Free Trade Agreement (in Thai), *ibid*.

⁷⁵ In 1985 Thailand, led by the Cabinet decision, established the National Milk Drinking Campaign Board (NMDCB) due to milk product flood in Thai market. A pilot program was implemented in some selected areas where parents could purchase milk at 25 percent cheaper than normal market price for their children in primary and kindergarten schools. However, over the years, this program was expanded to all public schools where school children are provided with 200 ml of free milk every day.

The same pattern can be detected between January and September 2007 and 2008 when Thailand's import on dairy products continued to rise from 50.4 US million to 61.1 US million or accounted for 21.2 percent growth.

According to the statistics presented in the article by the Department of Foreign and Trade of Australia, "*exports of milk and cream to Thailand rose 11 percent to \$104 million in 2006 and have risen 70 percent since TAFTA entered into force. Australia's share of Thailand's import market for dairy products rose by 9 percentage point to 26 percent from 2004 to 2006.*"⁷⁶ Thai statistics also show that imports of milk and dairy products rose from 57 US million in 2004 to 91 US million in 2005 which is accounted for 60 percent increase. Furthermore, imports of skim milk powder increased massively by almost 140 percent in value within one year after the FTA implementation.

As far as dairy products are concerned, in general, it is clear to say that the TAFTA has contributed a negative effect to local producers as they have to face with cheaper and better quality Australian dairy products. However, the real impact from the TAFTA on Thai dairy producers is expected to show later on especially in 2025 when tariff on dairy products will be reduced to zero percent. Apart from the obvious negative impact of the TAFTA on local producers and farmers, it is believed that the threat of Australian dairy product influx has also contributed a positive effect to the area when Thai government and farmers have to cooperate in many fields namely technology, sanitary and other standards in order to bring better quality products to the markets so that local products will become more competitive and will be ready to compete with the imported Australian products in near future.

⁷⁶ Australia-Thailand trade: recent trends., *ibid.*

Meat products

As same as dairy products, Thai farmers are well protected by the government from an outside competitors. The tariff for imported meat including lamb, beef and pork has been set up to a quite high rate. Under the free trade agreement between Thailand and Australia regarding meat products, Thailand agrees to phase out the current 32 percent tariff for sheep meat to zero in 2010. Thailand has already reduced the tariff for beef on the day the TAFTA entered into force from its high rate at 51 percent to 40 percent and will gradually eliminate the tariff to zero in 2020. As for pork, Thailand will eliminate the current 33 percent to zero percent in 2020.

Similar to dairy products, beef industry in Thailand is expected to be highly affected from the implementation of the TAFTA. Thai beef cattle farming is quite small and less developed comparing to Australian cattle farming. Moreover, Australia is famous in its high weight-to-meat rate, excellent quality of the meat, disease-free guarantee, and also the variety of choices to suit the consumer's need.⁷⁷ Meat is one of Australia's main food export products, which distributes to a significant proportion of the country's food export statistics. According to the statistics from Meat and Livestock Department in Australia, in 2006-2007, Australia exported 67.1 percent of its total beef and veal production. The total of beef exports alone was valued at 4.9 billion AS\$.⁷⁸ As far as beef exporters to the world market, Australia ranks second contributing as much as 17.76 percent to the world market.

According to the statistics shown at the Thai Customs Department, Thailand has continued to import meat and edible meat offal (HS Code 02) from Australia since the TAFTA came into force. As seen in the Table 26, Thailand's meat import from Australia

⁷⁷ Nattapol Sriphotchanat., *ibid.*

⁷⁸ Fast Facts 2007: Australia's Beef Industry, Meat and Livestock Australia
<http://www.mla.com.au/NR/rdonlyres/F74B4CFB-AD86-4708-BD47-68EF9FAF107D/0/FastfactsBeef2007.pdf> (Access on September 11, 2008)

grew from 4.1 US million to 7.1 US million and to 12.7 US million in 2005, 2006 and 2007 respectively.

Table 26: Thailand's Meat Import (HS Code 02) from Australia 2005-2008

(Value in US million)

2005	2006	2007	Growth 05/06 (%)	Growth 06/07 (%)	Jan.-Sep. 2007	Jan.-Sep. 2008
4.18	7.11	12.75	70	79.3	8.29	10.32

Source: Thai Customs Department

Note:

The exchange rate Thai Baht to one US dollar in December 2005 is 41.0 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in December 2006 is 35.6 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in December 2007 is 30.1 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in September 2007 is 32.0 to 1 U.S. Dollar
 The exchange rate Thai Baht to one US dollar in September 2008 is 33.4 to 1 U.S. Dollar

However, the increase of Australian meat import is considered relatively slow when compared to other imported articles. This is mainly due to Thailand's quite high tariff on meat products, at the rate of 33 percent. The real concern, nevertheless, is expected to be harshly considerable when the import tariff on these products will be eliminated totally in 12 years. Thai beef cattle farmers and concern groups worry that Thailand will be flooded with cheaper and better quality meat imported from Australia due to the removal of tariff, which, in this regards, encourages Thai farmers to improve their competitiveness in order to tackle with problems which are forthcoming in near future.⁷⁹ In this regards, Thai cattle farmers have to improve their production efficiency including reducing cost and improving the quality of the feeding system, attaining the international standard for the products. In terms of manufacturing, producers should acquire good quality equipments and ensure the

⁷⁹ Meat Products and FTAs with Australia and New Zealand (in Thai)
 Department of Trade Negotiations, Ministry of Commerce

high standard of meat quality, safety and cleanness.⁸⁰ If these goals are attained, Thai farmers undoubtedly will not be affected as greatly under the TAFTA when the full tariff elimination on meat products is introduced.

Canned tuna

Canned tuna is the most important seafood export. Thailand is the world's biggest canned tuna exporter and the amount of canned tuna Thailand has been contributing to the world market has a tendency to increase every year. The total amount of exported canned tuna in the first quarter of 2007 is 104,968 tons, accounted for 10,017.3 Baht million. The volume and value of Thailand's canned tuna export in 2007 increased by 5.22 and 3.69 percent respectively when compared to same period in 2006.

Thailand's biggest market for canned tuna is the United States, whose total share of Thai total canned tuna export is at an average of 20 percent. The second biggest export market for Thai canned tuna is Australia. In general, Thailand ranks first in Australian's canned tuna market share which was accounted for 95 percent of total canned tuna in Australia.

After the TAFTA came into force, most of the fishery products enjoyed the elimination of the import tariff from 0-5 percent if met with the Australian health measures. Unlike the rest of the fishery products, Thailand's canned tuna export had faced with difficulties to enter into the freer-trade Australian market. Given that Australia is also one of the major tuna exporters in the world, it felt the need to impose imported quota on Thailand's canned tuna products under the Special Safeguard Measures (SSG) aiming to provide safeguards against Australian markets being flooded by cheap imports.⁸¹

⁸⁰ Piriya Polpirun. The Impacts of Thailand-Australia Free Trade Agreement on Major Industries of Thailand <http://www.thailandoutlook.com/thailandoutlook1/download/FTA/FTA.pdf> (Access on September 11,2008)

⁸¹ Karel Janda. "Signaling and Underutilization of Import Quota." Department of Economics, University of Iowa, (May 21, 2002), pp. 2-21.

The SSG on canned tuna applies since the implementation of the TAFTA that Australia would reduce the current 5 percent import tariffs to 2.5 percent until 2006 and the tariffs would be eliminated totally from 2007 onwards. However, this SSG tariff scheme was used only to some certain amount of imported canned tuna. Australia also imposed trigger volume measure which limits the import of Thai canned tuna to 21,366.277 tons in the first two years but the quota would be increased 5 percent annually.⁸² It is estimated that Thailand's canned tuna producers will reap the most benefits from the TAFTA once the tariff barriers will be totally eliminated. This will make Thai canned tuna more competitive in the Australian market especially in pricing.

According to the Thai Customs Department, Thailand's canned tuna export to Australia has steadily increased since 2005, when the TAFTA came into force. Under the HS code 14 as preparation of meat fish, in which canned tuna is categorized, Thailand exported to Australia from 2003 until 2007 in the amount of 4,446.6 Baht million, 4,916.5 Baht million, 5,888.4 Baht million, 6,030.0 Baht million and 6,170.5 baht million respectively.

Table 27: Thailand's Export of HS CODE 14 "Preparation of meat fish" to Australia 2003-2008 (Value in Baht Million)

2003	2004	2005	2006	2007	2007 (Jan.-Mar.)	2008 (Jan.-Mar.)
4,446.6	4,916.5	5,888.4	6,030.0	6,170.5	1,558.4	1,713.0

Source: Thai Customs Department

⁸² Situation of Thailand's Canned Tuna (HS Code 1604140100/1604141000): 2008 (in Thai) Department of Foreign Trade, Ministry of Commerce [www.dft.moc.go.th/the_files/\\$16/level4/ปลาทูน่ากระป๋อง%20ม.ค.%20-%20มิย2551.doc](http://www.dft.moc.go.th/the_files/$16/level4/ปลาทูน่ากระป๋อง%20ม.ค.%20-%20มิย2551.doc) (Access on November 27, 2008)

Table 28: Top 5 Export Market of Thai Canned Tuna 2004-2008

(Value in Baht million)

Country	2005		2006		2006 (Jan.-Mar.)		2007 (Jan.-Mar.)		Changes (%) in value 2006/2007
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	
United States	83,798	8,431.8	77,449	8,104.1	19,419	1,911.0	18,734	1,811.3	5.22
Australia	29,883	3,447.8	30,533	3,506.8	8,045	932.7	7,449	916.3	1.77
Canada	26,265	3,023.9	27,556	3,236.4	7,751	900.5	6,561	747.1	17.03
Japan	22,554	3,302.6	21,024	2,910.6	4,786	649.2	5,200	688.2	6.01
Libya	25,104	2,035.5	27,575	2,264.7	5,673	492.5	7,254	584.0	18.57

Source: Department of Trade, Ministry of Commerce

Thailand's Textile and Clothing Industry

Textile and garment industry is considered the second most important industry, after the automotive industry, which has received a positive effect from the Free Trade Agreement between Thailand and Australia (TAFTA) since the day the agreement came into force. According to a research by National Institute of Development Administration (NIDA), statistics have shown that the textile products that benefit most from the import tariff reduction are lingerie and polyester fiber products due to their high competitiveness and a strong demand in Australian market.⁸³ However, in general picture, Thai textile and garment industry takes advantage from the TAFTA only on a small level because Thailand's main competitor concerning this industry is China, who, by far, dominates the market share on textile and clothing in Australia.

⁸³ Piriya Polpirun., *ibid.*

Thailand's textile and clothing industry cannot reap benefits much from the TAFTA as Thailand's major obstacle for textile and garment industry is due to factor condition. Specifically, Thailand has to depend on raw materials imported from other countries. In this sense, Australia plays a great role in exporting fiber to Thailand, to support Thai textile and clothing industry as seen in Table 29

Table 29: Thailand's Fiber Import Classified by Top 3 countries 2002-2007
(Value in US million)

Country	2007	2006	2005	2004	2003	2002
USA	208.5	159.8	219.9	179.9	171.1	147.8
Australia	105.9	166.8	149.4	157.8	136.7	169.6
Japan	30.6	33.0	37.8	31.2	29.4	32.5

Source: Thailand Textile Institute

According to the Table 29, Australia is the second biggest fiber importer after the United States. Australia's fiber export accounted for 149.4 US million, 166.8 US million and 105.9 US million in 2005, 2006 and in 2007 respectively.⁸⁴ It is clear to say that the United States and Australia are, by far, the two major and largest fiber importers to Thailand which is accounted for 83.5 percent of cost of production in the textile and clothing industry.

Australia not only dominates Thailand's fiber import for the textile and garment industry, Australia is one of the leaders in Thailand's ready-to-wear garment market as many of Australian brands namely Billabong, Roxy, Quiksilver, Rip Curl and Mambo have

⁸⁴ Thailand Textile Organization
<http://www.thaitextile.org/eng/information/infor08situation.asp> (Access on September 13, 2008).

ability to penetrate Thai market since they are recognized as an emblem of Australia's excellent reputation especially in the field of surfing.⁸⁵

On the contrary, Australian textile and garment market does not rely on Thai products as much as Thailand relies on fiber materials imported from Australia. Textile and clothing trade between the two countries is not equivalent as Australia has been in a surplus while Thailand has been facing with trade deficit mainly due to Thailand's import of Australian clothing and raw materials is greater than Thailand's export to Australia.

Thailand ranks twentieth highest exporter to Australia, accounted for only 1.0 percent of Thailand's total textile exports. The reason why Thailand has been in a trade deficit with Australia is Thailand's low competitiveness. Comparing Thailand and other exporters, Thailand's competitiveness is relatively low mainly attributed by the inability to compete in terms of labor cost with other countries especially China and India.⁸⁶

Under the TAFTA, textile and garment products are enlisted as sensitive products. On the day the TAFTA came into force, tariffs was reduced from 25 percent to 12.5 percent. Tariffs will be gradually decreasing to 5 percent in 2009 and eventually completely eliminated in 2010. In this regards, it seems that Thailand can enjoy a lower import tariff from the FTA with Australia which, in a way, makes Thai products more competitive. However, Australia introduced tariff cuts on textile and garment import in general from 25 percent to 17.5 percent. This has caused negative impact for Thai exporters since the tariff cuts has increased Chinese products in the Australian markets mainly due to its cheaper prices.

⁸⁵ Textiles and Clothing to Thailand: Trends and Opportunities, Australian Government <http://www.austrade.gov.au/Textiles-and-clothing-to-Thailand/default.aspx> (Access on September 12, 2008)

⁸⁶ Piriya Polpirun., *ibid.*

Thailand's Jewelry and Accessories Industry

Jewelry and accessories are one of the product lines that can enjoy the most benefits from Australia-Thailand Free Trade Agreement as the import tariff of 5 percent was immediately eliminated to 0 percent on the day the TAFTA entered into force.

Prior to the TAFTA, Australia was not considered a significant export market for Thai jewelry and accessories. Thailand's top five jewelry markets had been the United States, Hong Kong, Israel, Belgium and the United Kingdom. However, after the implementation of the TAFTA, Thailand's jewelry and accessories industry boosted immensely. According to the statistics from Institute of Trade Strategies, Thai jewelry and accessories export to Australia ascended to 11,107.2 Baht million or 286.4 US million in 2006, from only 3,468.3 Baht million or 83.4 US million in 2003.⁸⁷ Australia, then, has become more important to Thailand's jewelry industry as it presently ranks the fourth biggest export market for Thai jewelry and accessories.

Table 30: Thailand's Jewelry Export to Australia

(Value in Baht million)

	2003	2004	2005	2005 (Jan.-Dec.)	2006 (Jan-Dec.)
Gems and jewelry	3,468.3	3,806.6	2,216.4	2,216.4	11,107.2
Gold	2,400.3	2378.9	486.5	486.5	8,985.2

Source: Institute of Trade Strategies

⁸⁷ Jewelry and Accessories (in Thai)
Institute of Trade Strategies, Thailand
http://www.tradestrategies.org/Product_data/data_show_website/Jewery_Market/Index_Data.htm (Access on September 12, 2008)

Table 31: Thailand's Top 5 Jewelry Export Market (2003-2006)**(Value in Baht million)**

Rank	Country	2003	2004	2005	2006
1	United States	25,629.3	28,874.9	38,255.5	35,238.9
2	Hong Kong	5,522.8	7,688.6	14,930.7	14,091.4
3	Israel	14,699.3	14,559.3	14,240.1	12,742.0
4	Australia	3,468.3	3,806.6	2,216.4	11,107.2
5	Belgium	10,310.0	11,968.8	10,955.0	10,279.4

Source: Institute of Trade Strategies

Besides jewelry and accessories, Thailand, since the accomplishment of the TAFTA, has escalated its precious stones export to the Australian market. In this sense, pearls are among the precious stones that Thailand has exported progressively more to Australia, which is believed to be a result of the execution of the Thailand-Australia Free Trade Agreement. Thailand's pearl producers could expand their pearl market in Australia right after 2005 as Australia agreed to remove the tariff barriers on pearls and precious stones immediately to zero percent. From the Table 32, it can be detected that Thailand's export of pearl and precious stones to Australia has tremendously prospered since 2005. The Table 32 shows that in 2005/2006 Thailand's pearl and precious stones export grew as high as 401 percent from 2,216 Baht million to 11,107 Baht million. The trend continued in 2007 when the growth increased by 87.2 percent reaching 20,802.7 Baht million.

Table 32: Thailand's Export of Pearls and Precious Stones to Australia (2003-2008)
(Value in Baht million)

Type/ HS CODE 71	2003	2004	2005	2006	2007	2007 (Jan.-Jun.)	2008 (Jan.-Jun.)
Pearls; precious stones	3,468.3	3,806.5	2,216.3	11,107.0	20,802.7	6,500.6	18,752.0

Source: Thai Customs Department

It is clear to say that the overall outcome of the TAFTA has been a win-win for both Thailand and Australia. The statistics have shown that the trade between Thailand and Australia has increased over the past three years since the implementation of the Thailand-Australia Free Trade Agreement. The Australian Chamber of Commerce and Industry noted that *“the two-ways trade in goods between Australia and Thailand in the first ten months of 2005, at 5.5 US billion, was more than double the trade for the whole of the year 2001 (2.7 US billion)”*.⁸⁸

The important explanation for the increased trade between the two countries is due to the awareness of the opportunities arising from the Agreement. Prior to the TAFTA, the two countries faced significant tariff barriers imposed by one another. For the Australian side, automotive parts, agricultural and other manufactured products were affected most from the harsh tariff barriers imposed by Thailand. This may due to Thailand's protective policy for its local industries. On the other hand, Thailand also faced momentous tariff barriers imposed by Australia in the areas of passenger motor vehicles, textiles and clothing. After the implementation of the TAFTA, Australia enjoyed a great level of exporting iron and steel, raw materials, fabric used for clothing industry as well as agricultural products especially meat and dairy products to Thailand. Thailand also reaps

⁸⁸ “Thailand-Australia Free Trade Agreement Update: A Platform for Optimism”, Australian Chamber of Commerce and Industry. http://www.acci.asn.au/text_files/issues_papers/Trade/February%2006%20-%20Thailand%20Australia%20FTA.pdf (Access on September 14, 2008)

the benefits from a wide range of areas such as light commercial vehicles and small cars including pick-up trucks, textile and clothing, electronic equipments, jewelry and accessories as well as foodstuffs.⁸⁹

Apart from the benefits from the TAFTA, criticism concerning the TAFTA has been spoken out especially in the agricultural sector in meat and dairy products. It is believed that after the full implementation of the TAFTA or after the total elimination of agreed tariff lines between the two parties, Thai farmers will be losers from the agreement as Thai dairy and meat products are not competitive enough when compared to the Australian products which will put many local farmers out of business. Meanwhile, both local farmers and the Thai government are encouraged to play some roles to improve the quality of the effected sectors to increase the competitiveness of the products so that the foreseen effect on the two sectors would be as limited as possible.

⁸⁹ Thailand-Australia Free Trade Agreement: Benefits for both Countries (in Thai) Ministry of Foreign Affairs, Thailand. <http://www.mfa.go.th/internet/BDU/TAFTA%20benefit.doc> (Access on September 14, 2008)

Japan-Thailand Economic Partnership Agreement (JTEPA)

I. An Overview of Japan-Thailand Trade Relations

The history of bilateral relations between Thailand and Japan can be dated as far back as the 15th century, during which the two countries maintained trading with one another. Thailand and Japan became strong economic partners during late 1980s when Japan suffered from the appreciation of Yen, resulting in migration of great numbers of Japanese companies to Thailand.

In the field of trade, Japan has always been one of Thailand's largest trading partners and investors. Presently, Japan is the second biggest export market of Thailand after the United States. According to the statistics from Bank of Thailand (BOT), Thailand's exportation to Japan in July 2008 is accounted for 1,766.2 US million, which marks around 15 percent share of Thai total export. Moreover, Japan is also the most important and the biggest importer especially for machinery parts and components for different industries.⁹⁰ According to the same statistics, Japanese import is accounted for 3,073.7 US million in July 2008 which is around 20 percent of Thai total import. Japan's biggest share of Thailand's import is three times that of the United States.

However, from the Japanese position, Thailand is not as important as how Japan is important to the Thai economy. According to the World Trade Atlas, Thailand ranks tenth on the Japanese's import scale, accounted for 18,287.3 US million or 2.9 percent of Japan's total import in 2007. Among export destinations, Thailand, in 2007, ranks sixth, accounted for 25,610.9 US million, which is taken as 3.5 percent of Japanese total export.

⁹⁰ Suthiphand Chirathivat. *Japan-Thailand EPA: Problems and Future*. Center for Contemporary Asian Studies, Doshiha University, Working paper No. 5, (May 2007), pp. 3-36.

Even though the importance of trading between the two countries is not equivalent, giving the fact that Japan is more important to Thailand than Thailand is to Japan, Thailand is one of the most popular investment destinations for Japanese companies. For many Japanese firms, their investments in Thailand have helped them to retain their profit levels and their world market shares in the face of new competition.⁹¹

Over recent years, Japan has contributed investment flow in Thailand. Foreign Direct Investment (FDI) to Thailand from Japan accounts for 149,071 Baht million in 2007, which is the most of total foreign investment in Thailand. This contributes immensely to the Thai economy in many respects including employment and technology transfer. Besides Japan's main source of FDI, Japan also bestows a significant source of tourism for Thailand. According to the Ministry of Foreign Affairs of Thailand, more than one million of Japanese tourists traveled to Thailand yearly.

Japan is also an important friend-in-need, as was shown during the Asian financial crisis of 1997. Japan contributed generously to the IMF rescue program, and then went further by providing the Miyazawa Fund to help stimulate a recovery. Japanese action here is well remembered and appreciated.⁹²

From this, it is obvious to say that both Thailand and Japan have been having strong economic relations for a long time, from which both countries benefit greatly. The two countries push or strengthen economic cooperation to bring economic prosperity which, in the end, in April 2007 Thailand and Japan decided to sign the Japan-Thailand Economic Partnership Agreement (JTEPA).

⁹¹ Pasuk Phongpaichit. Impact of JTEPA on the Bilateral Relationship between Japan and Thailand <http://pioneer.netserv.chula.ac.th/~ppasuk/jtepaimpactonjapanthairelations.pdf> (Access on August 13,2008)

⁹² Pasuk Phongpaichit, *ibid.*

II. The Japan-Thailand Economic Partnership Agreement (JTEPA)

The establishment of Thailand and Japan Economic Partnership Agreement or JTEPA can be traced back in November 2001 when the Prime Minister of Thailand, Thaksin Shinawatra, during his official visit, proposed to Japanese Prime Minister, Junichiro Koizumi that Thailand and Japan should cooperate and institute a Closer Economic Partnership (CEP) including a bilateral Free Trade Agreement or FTA. Thailand's desire to establish FTA with Japan was fairly well responded as Japanese Prime Minister proposed the "Initiative for Japan-ASEAN comprehensive Economic Partnership" during his visit to five ASEAN countries. As a result, in April 2002 on the occasion of the "Boao Forum of Asia", a Japan-Thailand Economic Partnership in a Working Group was established under the Japan-Thailand Economic Partnership Consultations Meeting to discuss and promote cooperation in trade and investment and create a free trade agreement between the two countries. Later on, the JTEPA Task Force (TF) was mandated as a next step of forming the JTEPA. The main mission of the JTEPA Task Force was to initiate further consultations with expanded participation from the private and academic sectors.⁹³

After the achievements made at the WG and the TF, both Thailand and Japan's Prime Ministers discussed the vital importance of founding a Japan-Thailand Economic Partnership Agreement (JTEPA) in December 2003 during an official meeting held in Tokyo. According to the Ministry of Foreign Affairs of Japan (MOFA), the two Prime Ministers mainly emphasized the close economic, cultural, and strategic ties between the two countries. Furthermore, the two Prime Ministers acknowledged that *"trade and investment liberalization and facilitation and bilateral co-operation in various areas to facilitate smooth trans-border flow of resources such as goods, services, peoples and capital would help to create a larger market which would provide greater opportunities*

⁹³ Suthiphand Chirathivat, *ibid.*

*and larger economies of scale for Japanese and Thailand businesses.”*⁹⁴ The negotiations concerning JTEPA between Thailand and Japan began in February 2004 and the JTEPA was expected to come into conclusion by the end of year 2005. However, due to political turmoil in Thailand and the overthrow of the Thaksin government, the two countries were obstructed from signing an official document hindering the formal establishment of the Japan-Thailand Economic Partnership Agreement.

The two countries’ strong determination to establish a closer economic partnership could be seen throughout the years despite the political instability in Thailand. Finally, in April 2007, Gen. Surayud Chulanont, Prime Minister of Thailand and Mr. Shinzo Abe, Prime Minister of Japan held a signing ceremony of Japan-Thailand Economic Partnership Agreement (JTEPA) after three years of negotiations. The Agreement entered into force on November 1, 2007. The JTEPA is expected to be a tool for the two countries to pave way to further development in all areas but most importantly the JTEPA signals an upcoming smooth cooperation between the two countries.

In the official agreement, JTEPA consists of 12 chapters on trade in the areas of trade in goods, rules of origin, customs procedures, paperless trading, mutual recognition, trade in services, investment, movement of natural persons, intellectual property, government procurement, competition, and cooperation.

In this regards, the JTEPA covers nine areas in cooperation between the two countries which are (i) Agriculture Forest and Fishery (ii) Education and Human Resources Development (iii) Business Environment (iv) Financing Services (v) Information

⁹⁴ Joint Announcement of the Japanese and the Thai Prime Ministers on the Initiation of Negotiations for Establishing the Japan-Thailand Economic Partnership Agreement on 11th December 2003, Tokyo Ministry of Foreign Affairs, Japan
<http://www.mofa.go.jp/region/asia-paci/thailand/joint0312.html> (Access on August 12,2008)

Technology and Communication (vi) Science Technology, Energy and Environment (vii) SMEs (viii) Tourism and (ix) Investment and Trade Promotion⁹⁵

The whole picture of the JTEPA is summed up in the Exchange of Diplomatic Notes for the Entry into Force of the Agreement between Japan and the Kingdom of Thailand for an Economic Partnership, the JTEPA will advance the liberalization and facilitation of trade in goods and services, improve investment opportunities and the business environment, protect intellectual property, and promote cooperation in such fields as small and medium-sized businesses between the two countries.⁹⁶

Trade in Goods

The JTEPA allows tariff reduction from both Thailand and Japan which is a tool to promote freer and augmented trade. The JTEPA removes tariffs on more than 90 percent of trade between the two countries on over 7,000 products over the next 10 years. Both sides will eliminate or reduce tariffs comprehensively on agricultural, forestry and fishery products, including steel, auto parts, luxury cars, agricultural goods and textiles. Japan will eliminate 92 percent of its tariffs on Thai imports including most tariffs on agricultural, forestry and fishery products within 10 years from November 2007 when the JTEPA came into force. Thailand, on the other hand, will remove tariffs on 97 percent of Japanese products including steel, automobiles and auto parts over the next 10 years.⁹⁷

⁹⁵ Basic Agreement between Japan and Thailand on JTEPA (in Thai), p. 87.

http://www.mfa.go.th/jtepa/asset/jtepa_basic_agreement_thai_p001-096.pdf (Access on August 12,2008)

⁹⁶ Joint Announcement of the Japanese and the Thai Prime Ministers, Ministry of Foreign Affairs Japan, *ibid.*

⁹⁷ Sabrina Shaw, et al. National Report for Thailand. Rapid Trade and Environment Assessment (RTEA), International Institute for Sustainable Development (IISD), (2007), pp. 5-102.

Table 33: Significant Features of the JTEPA: Trade in Goods

Thai goods for which tariffs have been completely eliminated	Japanese goods for which tariffs have been immediately eliminated
<ul style="list-style-type: none"> • Gemstones and jewelry • Textiles and apparel • Petrochemical goods • Plastic products • Foodstuffs incl. shrimps and prawn prepared, preserved, and frozen, or boiled shrimps and prawn, legumes, vegetables (okra, olives, fresh potatoes, asparagus) • Fresh chilled and frozen fruit (durian, papaya, mangoes, mangosteen, coconuts), manioc starch, and potatoes, either sliced or in the form of pellets. 	<ul style="list-style-type: none"> • Foodstuffs incl. fresh chilled or frozen fish, crabs, fresh shrimp and prawn prepared, preserved and frozen, or boiled shrimp and prawn, temperate climate fruits such as apples, peaches, pears, prunes, and various berries • Gems and jewelry • Textiles and apparel • Steel and steel products

Thai goods on which Japan imposes quotas	Japanese goods on which Thailand imposes quotas
<ul style="list-style-type: none"> • Fresh bananas and pineapples • Processed pork • Molasses and manioc flour 	<ul style="list-style-type: none"> • Potatoes • Large onions and seeds, garlic, copra, pepper • Soybean seeds, soybean oil • Coconut, longan • Rice, sugar • Coffee seeds, tea, instant coffee • Palm oil, coconut oil • Fat free milk powder, raw milk and reconstituted milk • Iron and iron products

Source: THAIFTA

Trade in Services

Under the agreement, Japan opens up trade in services for Thai firms to enter Japanese market to provide services including restaurants, event organizing, advertising, hotels, tour organizing, spas, security services, cleaning services, interpreting and translating, teaching Thai language and Thai dancing, etc. It is considered that trade in services under the JTEPA has been by far the most generous offers Japan has ever committed to other partners.

On the other hand, Thailand also allows Japanese firms to enter and provide services in Thai market. Moreover, the JTEPA allows Japanese firms to hold a bigger equity share than the 50 percent allowed under local law in a number of service areas⁹⁸ including logistics, five-star hotels, restaurants,⁹⁹ etc. The only service area that Japanese firm can have a hundred percent equity share is general management consultancy.

Other important issues in service areas concern the acceptance of professional qualification especially in Japan. In practice, Japan requires professional qualification or other conditions in order to enter into a Japanese labor market. Under the JTEPA, both countries agree to have degree recognition or, in other words, workers can apply for an equivalent degree so that it would be easier especially for Thai workers to enter into a Japanese labor market.

Investment

Investors from Thailand who wish to invest in Japan or Japanese investors in Thailand are normally obliged to the laws concerning investment in the respective

⁹⁸ Pasuk Pongpaichit, *ibid.*

⁹⁹ Under the JTEPA, the characteristic of restaurants which allows Japanese firms to have an equity share up to 60 percent is that the area of the restaurant has to be at least 450 square meters.

countries. However, the JTEPA enables investors some advantages beyond the provisions under the two countries' local laws.

Thailand has committed to allow Japan and Japanese citizens to hold up to 50 percent equity share in automotive production firms (with Thais holding the remaining equity), and the company established is not required to seek permission to operate the business.¹⁰⁰ On the other hand, Japan has committed to liberalize all area of investment for Thai investors with the exception of pharmaceutical production, space and aeronautics, petroleum, energy, broadcasting, mining, fisheries, agriculture, forestry, and related basic industries.¹⁰¹

III. Criticisms Concerning JTEPA

Given the fact that the JTEPA was regarded one of the most important agreements Thailand was about to conclude with one of the major trading partners, both advantages and disadvantages were assessed widely among Thais including a coalition of public-minded academics, independent organizations, and non-government organizations. Before the JTEPA came into existence, it hit a number of stumbling blocks. The followings are some key points that became a matter of public concern.

Process of Negotiation

One of the main issues is the skepticism towards Thailand's political situation. the JTEPA is little bit complicated than any other free trade agreements Thailand concluded with other nations due to the transition of totally diverse government regimes. The initiation of the talk about closer economic partnership between Thailand and Japan began

¹⁰⁰ Somkiat Tangkijvanich, et la. JTEPA and its Impact on Investment and Trade in Services (in Thai). Thailand Development Research Institute (TDRI), (May 2006), pp. 1-59.

¹⁰¹ Somkiat Tangkijvanich, et la., *ibid.*

when Prime Minister Thaksin Shinawatra resumed office but the conclusion of the deal happened during the Thai interim government led by Gen. Surayud Chulanont, who became a Prime Minister due to a military coup that overthrew the previous government. This caused abrupt consequences to the establishment of JTEPA. People started protesting against the JTEPA as it was seen as a tool to provide benefits only to some certain group of people especially top leaders sitting in Thaksin government, who already had been allegedly accused of corruption within the government including election fraud.

Despite Thailand's political turmoil, the Thai interim government continued to negotiate with Japan regarding the JTEPA. In the time Surayut was in power, the administration failed to uphold a positive image which provoked public skepticism. Regarding the JTEPA, the whole process before the signing ceremony was widely criticized for not having sufficient transparency. For example, the 940-page draft on Thailand-Japan Agreement was not contributed to public, the government failed to carry out public hearings on the JTEPA, some significant information was not made publicly available or the lack of involvement in the Legislative Assembly. According to Pasuk Phongpaichit on his paper Impact of JTEPA on the bilateral relationship between Japan and Thailand, he explains the lack of transparency in the government "*Under Thai law, there was no requirement for the Agreement to be submitted to Parliament. Shortly prior to the eventual signing, the Agreement was debated in the Legislative Assembly, but legislators were provided with little information on the details of the Agreement, had only a short time to analyze that information, and had no power to vote*"¹⁰²

Additionally, the interim government which rose into power by military coup should not and is not entitled to commit anything that would have an effect to the country in a long-term period like the JTEPA, which will definitely last for at least another ten

¹⁰² Pasuk Pongpaichit, *ibid.*

years. It has been criticized that the interim government should have postponed the JTEPA conclusion until the next popularly elected government.¹⁰³

Intellectual Property

Intellectual property in the area of naturally existed microorganism has been one of the major controversies appeared in the JTEPA. Under Article 130(3) in JTEPA, it is stated that each party shall ensure that any patent application shall not be rejected solely on the grounds that the subject matter claimed in the application is related to a naturally occurring micro-organism.

This clause begets controversy because under the Thai Patent Act, there are some areas which are not patentable including micro-organisms which naturally exist and their components, animals and plants, or extracts from animals and plants.¹⁰⁴

Thai NGOs expressed harsh concerns that by obliging the JTEPA, Thailand will be forced to give Japan patent on naturally existed micro-organism which will affect the country immensely. Furthermore, Dr. Carlos Correa,¹⁰⁵ member of Commission on Intellectual Property Rights, Innovation and Public Health (CIPRH), expressed concern regarding the Article 130(3) of the JTEPA that *“it can be interpreted as requiring the grant of a patent on a naturally occurring microorganism, provided that the patentability requirements (novelty, inventive step, industrial applicability) are met. In other words, it stipulates that such a microorganism may be an invention.”*¹⁰⁶

¹⁰³ Erica Mt. Castle. Free Trade Agreements: A focus on the Japan-Thailand Economic Partnership Agreement. Ohio Northern University, (July 2007)

¹⁰⁴ Tilleke & Gibbins. Thai Patents http://www.tillekeandgibbins.com/publications/Articles/ip_registration/patent_th.htm (Access on August 29, 2008)

¹⁰⁵ Professor Carlos Correa is currently Director of the University of Buenos Aires' Masters Program on Science and Technology Policy and Management. He is a Director of the Centre for Interdisciplinary Studies on Industrial Property and Economics Law, at the University of Buenos Aires.

¹⁰⁶ Problems and Consequences from JTEPA (in Thai) FTA Watch Group http://www.ftawatch.org/autopage1/show_page.php?t=34&s_id=29&d_id=29&page=1 (Access on August 29, 2008)

Thai NGOs asked the negotiators to drop this clause but the negotiators refused the suggestion claiming that the patent concerning micro-organism will still be in a framework stated in the TRIPS and that it's the mutual understanding between Thailand and Japan that the patent on micro-organism will be obliged by Thai law.

Toxic Waste

The details of the Agreement led to another controversy concerning possible toxic waste import from Japan. Environmentalists and civil society strongly opposed the JTEPA for this matter.

Under the Agreement, Thailand will reduce tariff from 1 percent to 0 immediately on several categories of waste including slag, ash, seaweed ash (kelp), ash and residues from the incineration of municipal waste. Thailand will also reduce tariff from 5 percent to 0 immediately or in 3 years for residual products of the chemical or allied industries.¹⁰⁷ This contributed wariness among environmentalists and civil society that Japan might use the JTEPA as means to dump unwanted waste in Thailand.

However, both Thailand and Japan insisted that “they will continue to enforce strict control on the export and import of hazardous and other wastes... in accordance with the Basel Convention... They also reaffirm that JTEPA does not in any way encourage trafficking of hazardous wastes between Japan and Thailand”¹⁰⁸

Given the fact that Japan is a signatory of the Basel Convention, however, Japan can be viewed as a violator of the norms stated in the Convention as Japan transfers or exports toxic waste to developing nations namely Indonesia, the Philippines, and also Thailand. According to article by Macan-Markar in Basel Action Network, Japan shipped

¹⁰⁷ Greenpeace Briefing: JTEPA – A Free Waste Trade Agreement
<http://www.ne.jp/asahi/kagaku/pico/basel/JTEPA/FINAL-English-Fact-Sheet1.pdf> (Access on August 29, 2008)

¹⁰⁸ pongpaichit

54 metric tons of waste in 2002 but in 2003 it increased to 334,000 metric tons, and to 350,000 tons in 2004.¹⁰⁹

This is why environmentalists expressed concern because the nature of the JTEPA on hazardous waste is very doubtful. If both Thailand and Japan strongly insist that the import or export of hazardous waste is strictly controlled, why Thailand had to mention tariff reduction in toxic waste?¹¹⁰ In other words, it just seems that the JTEPA will enable Japan to unload the mountains of waste by disguising in a form of import to Thailand.

Competition on Automotive Industry and Steel

The automotive industry is one of the most active industries in Thailand. According to the Office of Industrial Economics (OIE), *“Thailand has become a major automotive hub for multinational companies in Southeast Asia and the Oceania, with almost all car assemblers from Japan, the United States, and the European Union present in the country... Thai domestic part producers have gradually become second or third-tiered suppliers in the production network”*. The public debate concerned on grounds that Thai manufacturers would be critically affect from the import passenger car with capacity higher than 3000 CC from Japan, whose import tariff will be reduced from 80 percent to 60 percent within 2009. Furthermore, this will have a great impact on local auto-parts companies and the whole Thai steel industries.

Given the fact that Thai auto-parts industries have low technology compared to Japan. If the tariff reduction takes effect, Thai auto-parts market will be flooded with Japanese products which would have great affect on local industries.

¹⁰⁹ Marwaan Macan-Markar. Free Trade Cannot Include Toxic Waste. Basel Action Network http://www.ban.org/ban_news/2007/070216_toxic_waste.html (Access on August 29,2008)

¹¹⁰ Revelation of JTEPA (in Thai), (Nonthaburi, Thailand: Pimdee, 2007), pp. 33-42.

The same concern spread to local steel industry. Thai steel-manufacturers would be critically affected after the JTEPA came into force, due mainly to Japan's superior technology. Thailand's steel industry opposed inking the JTEPA fearing that the immediate reduction on tariffs on iron and steel products would entice more Japanese automotive parts firms to set up production facilities within Thailand, leaving many small part firms out of business. Furthermore, it was estimated that the Thai government will lose 20 Baht billion a year in tax collected on steel imports from Japan. Japanese steel would overwhelm Thailand and destroy most SMEs in the steel industry.

Despite these criticisms, the Japan-Thailand Economic Partnership Agreement has also bestowed a lot of benefits for Thailand which will be discussed below.

IV. Impact of JTEPA on Selected Industries

The most important key driver of growth for Thailand's economy is exports. According to the World Bank's Economic Monitor in January 2008, it supports the pros Thailand receives from the JTEPA that *“one thing that could potentially impact the state of Thailand's exports this year (2008) is the Japan-Thailand Economic Partnership Agreement (JTEPA)... The agreement is expected to have a profound effect on Thailand's economy due to the fact that Japan is Thailand's largest trading partner and source of foreign investment... the JTEPA will strengthen both manufactured exports and agricultural export products to Japan, in addition to enhancing the potential of garments, textiles, jewelry and chemical products”*.¹¹¹

¹¹¹ Thailand Investment Review on January 2008
World Bank's Economic Monitor
http://www.boi.go.th:8080/issue_content.php?issueid=36;page=50 (Access on August 29, 2008)

The main sectors Thailand which are expected to benefit from JTEPA are garment and textile, agricultural products, mainly fruits, vegetables, and fishery products, mainly prawns and shrimps.

Textile and Garments Industry

Textile and clothing industry is one of the most important industries to the Thai economy. As of results from the JTEPA, the Thai textile and clothing industry was expected to reap considerable benefits from the Agreement and it has been estimated that after the achievement of the Japan-Thailand Economic Partnership Agreement (JTEPA), Thailand's textiles industry will continue to expand higher and more bustling in the Japanese market as the tariff duties of exported textile and clothing to Japan was immediately eliminated from 12 percent on the day the JTEPA came into force.

Given that Japan ranks the second biggest export market, after the United States, for Thailand, it is obvious that the JTEPA would benefit in this particular sector a lot. Thai textile and clothing can now compete in the Japanese markets with other big competitors namely China and India, who are the top two textile and clothing exporters dominating the Japanese textile and clothing markets. With Thailand being given a privilege of import duties reduction, Thai products become more competitive and cheaper, therefore encourage the textile and garment export to Japan.¹¹²

According to the statistics, Thai textiles and clothing export to Japan declined gradually from 412.5 to 395.4 and to 379.9 US million in 2005, 2006 and in 2007 respectively. The growth rate of Thai textile and garments export between 2006 and 2007 accounted for -3.9 percent. However, this number is expected to rise steadily when the JTEPA came into force. Thailand prepared to the effect of the textile industry from the

¹¹² Thailand-Japan Trade: After the Implementation of JTEPA (in Thai)
Department of Export Promotion, Thailand

JTEPA beforehand as the Bureau of Export, Ministry of Commerce of the Thai Government dispatched people from 30 Thai textile firms to Japan to hold business negotiations as well as to have an apparel exhibition in May 2006. The Thai apparel industry already begun to work on cost reduction and hoped that after the JTEPA implementation, Thailand will be able to establish a unique position as a supply base of apparel to Japan.¹¹³

After the implementation of the JTEPA, Thai textile and garments industry has increasingly expanded due to the generous import tariffs cut from the Japanese side. Given the fact that the import tariff for textile products is immediately eliminated from 12.5 percent, Thai textile and garments exporters are encouraged to export more and to get wider access to the Japanese markets. According to the statistics from Thailand Textile Institute, the value of textile and clothing export to Japan between January and February in 2008 is worth 80.3 US million or accounted for 33.3 percent growth compared to 60.2 US million between January and February in the previous year.

Nevertheless, the trend of increasing textile and garment export to Japan continues to show as seen from the Table 36 when Thailand increased its textile and clothing export to Japanese market by 31.6 percent between January and July 2008 when compared to the same period of previous year.

¹¹³ Thailand: 30 Firms to Japan
Asian Textile Business; May 2006; 618; ProQuest Asian Business and Reference pp. 31

Table 34: Thailand's Textile and Clothing Export to Japan (Jan.-Feb. 2008)**(Value in Baht million)**

ITEM	2005	2006	2007	Growth (%) 07/06	2007 Jan.-Feb.	2008 Jan.-Feb.	Growth (%) Jan.-Feb. 08/07
Textile and clothing	412.5	395.4	379.9	-3.9	60.2	80.3	33.39
Textile*	189.1	177.4	196.6	10.8	27.4	46.0	67.88
Clothing**	223.4	218.0	183.3	-15.9	32.8	34.3	4.57

Source: Thailand Textile Institute

- *Textile includes woven fabric, yarn and man-made filament, household textile, man-made filament and staple fibers, embroidery and lace, fishing nets, shawls, scarves, mufflers, veils, other made up articles, dress patterns, and other textiles
- **Clothing (Article of apparel and clothing accessories) includes garment, brassieres, corsets, panty hose, tights, stocking socks and gloves.

Table 35: Thailand's Textile and Clothing Export to Japan (Jan.-Jul. 2008)**(Value in US million)**

Item	2005	2006	2007	Growth (%) 07/06	2007 Jan.-Jul.	2008 Jan.-Jul.	Growth (%) Jan.-Jul. 08/07
Textile and Clothing	412.5	395.4	379.9	-3.9	213.4	280.8	31.6
Textile*	189.1	177.4	196.0	10.8	102.3	155.6	52.1
Clothing**	223.4	218.0	183.3	-15.9	111.1	125.2	12.7

Source: Thailand Textile Institute

- *Textile includes woven fabric, yarn and man-made filament, household textile, man-made filament and staple fibers, embroidery and lace, fishing nets, shawls, scarves, mufflers, veils, other made up articles, dress patterns, and other textiles
- **Clothing (Article of apparel and clothing accessories) includes garment, brassieres, corsets, panty hose, tights, stocking socks and gloves.

Not only Thailand's textile and clothing industry has benefited from the increase of export to Japanese market through a tariff elimination scheme, the Japanese manufacturers also snatch more privileges from the JTEPA by relocating the factories from Vietnam, China and Malaysia to Thailand and re-export to Japan with the lower production costs due to the tariff elimination. Furthermore, Thailand and Japan have started to conclude joint ventures in the field of textile and garment industry in order to enhance its efficiency and competitiveness.¹¹⁴ Thailand, then, will become both manufacturing and distribution hub for textile products in Asia, which will strengthen the position as textile and garment distributor in the world market and also will increase the country's share in the global marketplace later on.¹¹⁵

Agricultural Sector

Thailand's agricultural sector is believed to be one of the main sectors in Thai economy which will reap most benefits from the JTEPA. After the elimination of the import duties for agricultural products, Thai producers managed to penetrate the Japanese markets easier and freer.

Fruits

Japan has to import fruits due to insufficiency of supply. Under the implementation of the JTEPA Thailand, especially in agricultural sector, has greater chance to gain access to the Japanese tropical fruit market. Given that Japan is accounted for the second largest export market for fresh, frozen, canned or preserved fruits for Thailand, the introduction of

¹¹⁴ JTEPA and the Future of Thailand's Textile and Garment Industry (in Thai)
FTA Monitoring <http://www.ftamonitoring.org/Data4/Jun%202007/20070625/Jp%20news250607.pdf>
(Access on August 29,2008)

¹¹⁵ Ibid. FTA Monitoring (in Thai)

tariffs cut under the JTEPA is expected to provide a considerable benefit for the Thai agricultural sector.

The Table 36 shows that Thailand dominates Japanese fresh fruit market with mangosteens, green guavas and durian as Thailand is almost the only importer of these types of fruits. However, it is expected that the JTEPA would create even bigger market share for these fruits mentioned above as, regarding the Japan-Thailand Economic Partnership Agreement (JTEPA), tariffs on import fruits namely mangosteens, durians, papayas, rambutans and coconut will be reduced immediately from a current rate at 10-12 percent to 0 percent when the JTEPA came into force. It is no doubt that the JTEPA would help boost exports of Thai agricultural products to Japanese market.

Table 36: Japan's Fresh Fruit Import (Jan.-Apr. 2006)

Fruits	Total export (value in US\$)	Thailand's export (value in US\$)	Thailand's market share	Important competitors
Coconuts	0.11	0.08	72.27	Philippines
Bananas	169.03	0.61	0.36	Philippines, Ecuador, Taiwan, Mexico
Pineapples	23.97	N/A	N/A	Philippines, the U.S., Taiwan, China
Mangoes	13.64	2.60	19.10	Philippines, Mexico, Australia, Taiwan
Mangosteens and green guavas	0.07	0.07	96.96	Mexico
Durian	0.24	0.24	100.00	-

Source: Trade Office, Tokyo

Note: N/A – Not Available

The Table 37 below shows that Thailand has continued to increase its export of edible fruits, fresh, frozen, canned or preserved, and nut (HS Code 8) since the elimination of the import duties in November 2007, when the JTEPA was first implemented.

Table 37: Thailand's Export of Edible Fruits and Nut (HS Code 8)

(Value in Baht million)

2006	2007	Growth (%)	Jan.- Sep. 2007	Jan.- Sep. 2008	Growth (%)
667.0	674.9	1.1	567.2	573.2	1

Source: Thai Customs Department

Thailand's export of HS Code 8 to Japan between 2006 and 2007 increased by 7.9 Baht million in values as well as between January and September 2007 and 2008, Thailand increased its export by 6 Baht million. Though the data of Thailand's export under the article HS Code 8 in 2008 is not available yet, Thailand has predicted that the reduction of import duties under JTEPA would provide greater opportunity for local fruit providers to penetrate the Japanese markets and also to enhance their competitiveness on the Japanese markets.

Fishery products

Japanese market is the second biggest market for Thai fishery products. According to the statistics, Thailand's fishery products to Japan in 2006 accounted for 46,112 Baht million. In this regards, prawns and shrimps products comprise of 33.5 percent of total fishery products export to Japan.¹¹⁶

¹¹⁶ Statistics presented by the Thai Customs Department

Table 38: Fishery Products under JTEPA and the Import Tariff Cut

Product	Usual tariff rate	FTA tariff rate
Frozen Shrimp (including fresh, cooked and prepared)	3-6%	0% (immediately)
Cephalopod (under rule of origin of procedure)	3.5%	0% (within 5 years)
Frozen fish	3.5%	0% (within 5 years)
Prepared or preserved fish	9.6%	0% (within 7 years)

Source: Thai Frozen Food Association

Prawns

Japan is the second biggest export market for Thai shrimps after the United States. The situation of Thailand's prawn exports to Japanese market between 2002 and 2006 declined gradually from 17,977.7 Baht million in 2002 to 15,529.7 Baht million and to 13,401.9 Baht million in 2005 and 2006 respectively. Thailand's prawn market share in Japan also weakened, from 23.6 percent in 2003 to only 17.7 percent in 2006. The main reason was the growing strength of the baht which made Thai products more expensive than these of Thailand's competitors.¹¹⁷

As in the Table 38, it is obvious that after the JTEPA came into force, prawns and shrimps will be affected greatly as the import tariff will be eliminated immediately meaning that Thailand's prawn and shrimp products can have a greater share in Japanese total fishery products market. It also means that Thailand will be able to enhance the price competitiveness since other main competitors on the fishery products namely Vietnam, China, Indonesia have not yet concluded any Economic Partnership Agreement with Japan.

¹¹⁷ JTEPA and Thailand's Agricultural Exports.
http://www.bangkokbank.com/download/JTEPA_and_Thailand_Agri_EN.pdf (Access on August 29,2008)

According to the Department of Fisheries of Thailand, it illustrates that up to November 2007, Thailand exported 54,710 MT of shrimp products to Japan, up by 7 percent over the same period of 2006. Of course, this increase was a direct benefit from the Japan-Thailand Economic Partnership Agreement.

Table 39: Thailand's Export of Fresh, Chilled, Frozen and Prepared, Preserved Shrimp (2006-2007)

Country	Value in US\$ Million		Quantity (tons)		Growth Rate (%)	Proportion (%)
	2006	2007	2006	2007	2007	2007
United States	1263.4	1135.9	177,644.7	167,372.1	-10.0	51.5
Japan	372.9	381.3	47,123.6	50,378.2	2.2	17.3
Canada	109.4	158.	15,673.1	24,444.2	44.8	7.1
South Korea	76.5	84.1	12,631.4	14,529.4	10.7	3.8
Germany	31.8	68.1	3,801.9	8,460.7	113.9	3.0

Source: Thai Frozen Food Association

The statistics from the Thai Customs Department show that Thailand's shrimp export (frozen and fresh) has enjoyed considerable benefits from the elimination of the import duties for shrimps and prawns. From January to September 2008, Thailand's export of shrimps and prawns to the Japanese market valued at 5,028.6 Baht million or 8.7 percent increase of the same period last year (4,621.9 Baht million). As of prepared and preserved shrimps and prawns, the gain for Thai shrimp and prawn farmers through the implementation of the JTEPA is more obvious than the earlier category (frozen and fresh). The statistics from the Thai Customs Department show that Thailand has increased its

export of prepared and preserved shrimps and prawns by 1,976.9 Baht million between January and September of 2008 and of 2007. The growth of Thai export accounted for 52.1 percent.¹¹⁸

In conclusion, since the implementation of the JTEPA, Thailand has reaped considerable benefits from the Agreement. The overall export to Japan has increased, especially among the agricultural and industrial products.

As of agricultural products, fruits and vegetables, fish and shrimps are the main categories which has proved to be affected positively from the Agreement. As far as the industrial products are concerned, the textile and garment industry is by far the major industry that receives direct benefits and the most benefits from the JTEPA. The Japan-Thailand Economic Partnership Agreement is expected to have a major long-term impact for Thailand's textile and garment industry as it creates more export opportunities for manufacturers and suppliers, encourages Japanese investors to support the Thai textile and garment industry, enhances cooperation among the Thai manufacturers and suppliers and also the JTEPA encourages a wide range of cooperation between Thai and Japanese manufacturers, which will include a technology transfer and development of the Thai textile industry, which eventually will strengthen Thailand's position as a significant textile and garment supply for the global market.¹¹⁹

¹¹⁸ Statistics about Thailand's shrimp and prawn exports are from Thai Customs Department

¹¹⁹ Benefits from JTEPA on Textile and Clothing (in Thai)

Export-Import Bank of Thailand (EXIM)

http://www.exim.go.th/doc/research/foreign_weekly_movement/9971.pdf (Access on November 2,2008)

Chapter 4

Comparison between TAFTA and JTEPA

Thailand-Australia Free Trade Area or TAFTA and Japan-Thailand Economic Partnership Agreement or JTEPA are among the successful FTAs that Thailand has already concluded for the past three years. The result in general from the two Agreements is impressive as Thailand's trade with Australia and Japan increased and that Thailand has gained greater access to bigger and expanded markets in these two countries.

However, it is hard to distinguish which of the two Agreements confers benefits to Thailand more than one another since the implementation of the TAFTA and the JTEPA was not at the same time.

Given that Thailand-Australia Free Trade Area has already been concluded for three years, it is no doubt that the result or outcome from the Agreement can be seen or demonstrated greater than the younger JTEPA, which came into force not even a year ago.

In this section the author wishes to show comparison between the two Agreements, TAFTA and JTEPA. The comparison will not be based on the trade value or trade balance between Thailand and its FTA partners but the conclusion on which of the two FTAs is better for Thailand overall will be drawn by the analysis of which of the two FTAs provides better benefits to Thailand in major industries namely automotive industry, textile and garment industry and agricultural industry.

Automotive Industry

At the current vehicle market situation, according to the statistics shown by International Organization of Motor Vehicle Manufacturers (OICA), Thailand is the fifth biggest vehicle production in the world after the United States, China, Japan, and Canada.¹²⁰ For the Thai automotive industry at the moment, the one-ton pickup truck is the most popular type of automobile. The production of the one-ton pickup trucks boosted significantly in 2005. Sales of the one-ton pickup trucks in 2005 account for 66.7 percent of the overall vehicle market, or 469,657 pickup trucks. This number is considered a huge growth when compared to its sales in 2004, 368,911 pickup trucks, accounted for 58.9 percent of the overall vehicle market of Thailand.¹²¹

As of Thailand-Australia Free Trade Agreement, automotives and auto parts were affected as the automotive tariff was set to reduce to zero which, for Thailand, means a larger market, greater opportunities and a larger economies of scale for the automotive investors in Thailand. Given that Thai vehicles especially pickup trucks already have had a strong presence in the Australian market, approximately 85 percent of all demand for pickup trucks in Australia,¹²² it is no doubt that the TAFTA would provide tangible benefits for Thai automotive manufacturers.

According to the TAFTA, Australian tariff on van, passenger cars and one-ton pickup trucks was eliminated since the implementation of TAFTA in January 2005. As of

¹²⁰ International Organization of Motor Vehicle Manufacturers (OICA): Production Statistics 2007 <http://oica.net/category/production-statistics/> (Access on September 15, 2008)

¹²¹ Dr. Sakkarin Niyomsin. Thailand's Automotive Industry after the 1997 Financial Crisis (in Thai) <http://www.bangkokbiznews.com/2006/special/bizNes/Sakkarin/Sakkarin.pdf> (Access on September 15, 2008)

¹²² Sector Overview: The Automotive Industry in Thailand
Danish Trade Council, Royal Danish Embassy, Bangkok, (June 2006)
<http://www.ambbangkok.um.dk/NR/rdonlyres/12A0FF0C-04AA-442E-A31B-223EBB6BA0F9/0/SectorOverviewAutomotiveIndustryinThailandJune2006.pdf> (Access on September 15, 2008)

tariff on auto parts and accessories, tariff on these products is aimed to be eliminated by January 2010.¹²³

After the implementation of the Thailand-Australia Free Trade Area in 2005, Thailand's export on vehicles increased significantly. Thailand's automotive production rose by 21.2 percent when compared to the previous year. Thailand's auto export also increased. In 2005, the export of Thai automobiles accounted for 5,075.9 US million, a 36.5 percent growth when compared to the country's automotive export in 2004. Given that Australia is the second biggest export market for Thai vehicles after ASEAN and the elimination of tariff, Australia, undoubtedly, was the biggest export market for Thailand especially for pickup trucks and vans.

Thailand's auto market in Australia has expanded significantly since 2005. The Thai vehicle export to Australia in 2005 accounted for 1,244.2 US million, in 2006 for 1,636.5 US million, and 2,400 US million in 2007.¹²⁴ The vehicle export growth rate in 2005/2006 and 2006/2007 accounted for 31.5 percent and 46.6 percent respectively.

On the other hand, Japan-Thailand Economic Partnership Agreement is expected to damage Thai automotive industry especially the auto parts sector. Japan originally is not Thailand's major auto market since Japan itself is one of the biggest vehicle producers in the world. Nevertheless, Japan regards Thailand as one of the best-quality auto parts produced in Southeast Asia so auto parts sector is somewhat significant to Thai export to Japanese market. According to the statistics from Thai Custom, Thailand's vehicle and auto parts export to Japan accounted for 545.6 US million while only auto part export accounted for 394.6 US million which is 72.3 percent of total Thai vehicle export to Japan

¹²³ Automotive Industry in Thailand
Office of Industrial Economics, Ministry of Industry
January 2006
http://www.oie.go.th/industrystatus2/En_AutomotiveIndustryinThailandJune2006.pdf (Access on September 15, 2008)

¹²⁴ Statistics presented by the Thai Customs Department

in 2006. In 2007 after the implementation of JTEPA, Thai vehicles and auto parts export to Japan continued to increase owing to the tariff reduction to zero from the Japanese side. According to the Thai custom, Thailand's vehicle and auto parts export to Japan accounted for 696.3 US million or a 27.6 percent growth from Thai's vehicle export in 2006. Thai auto parts also increased its export to the Japanese market by 11.6 percent.

However, Thai vehicles and auto parts export is not the real consequence of the JTEPA as Thailand benefits so little. Japan, on the contrary, seems to reap benefits from the JTEPA concerning its automotive and auto parts industry. Given that imported auto parts from Japan was immediately reduced to 0 percent on the day the JTEPA entered into force, a huge amount of Japanese auto parts were aimed to penetrate Thai markets since Thailand itself cannot locally produce sufficient auto parts or cannot produce auto parts to the same quality as those of Japan.¹²⁵ Prior to the JTEPA, Thai auto parts producers were not disturbed despite the import of general auto parts from Japan mainly due to foreign parts were still not competitive compared to those of local products. However, after the JTEPA, a zero import-tariff rate is used¹²⁶. Prices on Japanese imported auto parts were lowered and Thailand is faced with the influx of parts from Japan. According to statistics shown by Thai Custom, Thailand has increased its vehicle and auto parts import from Japan since the JTEPA came into force. Thailand's import of vehicles and auto parts accounted for 2,980.6 US million in 2007, a 0.3 percent growth when compared to 2006, when Thailand's import value of Japanese vehicles and auto parts was 2,928 US million.¹²⁷ In 2008 between January and June, Thailand imported vehicles and auto parts from Japan

¹²⁵ Aranee Jaimsin. Thailand-Japan pact could damage auto-parts industry
http://www.bilaterals.org/article.php3?id_article=7252 (Access on September 15, 2008)

¹²⁶ The Thai side on JTEPA's import tariff rate on vehicles and auto parts is that for those products with the tariff line lower than 20 percent

¹²⁷ Given that JTEPA came into force in November 2007, it is not enough to analyse from the total export-import value in 2007.

for 1,646.8 Million US, which is 226.8 US million or 15.9 percent more than the same period of 2007.

As far as Thailand's automotive industry is concerned, it is clear that the Thailand-Australia Free Trade Agreement or TAFTA provides more benefits and advantages than the Japan-Thailand Economic Partnership Agreement or JTEPA.

Textile and Clothing Industry

The Thai textile and clothing industry is the largest and well-established industry in Thailand so far. The industry is a key revenue and employment source for the nation. The textile industry has many sub-independent industries which are connected in a stream cycle analogous to a river namely upstream industry, middle stream industry and downstream industry.¹²⁸

Thai textile and garment industry is affected greatly from the FTAs. One of the greater potential markets for Thailand is Japan since Japan is the second biggest export market for Thai textile and clothing. Prior to the implementation of JTEPA, Thailand's export to Japan accounted for 431.2 US million, 414.9 US million and 403.7 US million in 2004, 2005 and 2006 respectively or around seven percent share of total Thai textile and garment export. The Agreement between Thailand and Japan on textile and garment trade is that Japan immediately reduced its previous import tariff of 12 percent to 0 percent on the day the JTEPA entered into force. This would mean a greater access to Japanese

¹²⁸ The textile industry is the largest industry in Thailand which comprises of many other sub-independent industries. The first sub-industry includes man-made fibre industry and natural fibre industry, which is also called an upstream industry. The second sub-category include spinning industry, weaving and knitting industry, dyeing, printing and finishing industry. All of these are combined to a middlestream industry. The last independent industry under the Thai textile industry is the garment industry which is the last phase of the circle which is also known as the downstream industry.

(information from *The Future of Thailand's Textile and Garment Industry: The Challenge, Opportunity and Threats in the Post-Quota Period*. International Chamber of Commerce, Thailand.

By Chalumporn Lotharukpong

[http://www.thaitextile.org/th/textile_intel/document/thtidoc/02economics/024thai_industry/The%20Future%20of%20Thai%20T&G%20\(by%20ICC\).pdf](http://www.thaitextile.org/th/textile_intel/document/thtidoc/02economics/024thai_industry/The%20Future%20of%20Thai%20T&G%20(by%20ICC).pdf)

market and a better position on competitiveness in the Japanese garment market. According to the statistics from Ministry of Commerce, Thailand's textile and garment export to Japan in the 4th quarter of 2007 accounted for 102.3 US million which is 11.0 percent growth from the 3rd quarter of 2007, and also a 15.4 percent growth when compared to the 4th quarter of 2006. However, Thailand's main export to Japan is ready-to-wear clothing rather than textile. The JTEPA also grant Thailand benefits in this sector. According to the Thai Customs, Thai clothing export to Japan in November 2007, the same month when the JTEPA came into force, accounted for 19.9 US million, rose by 17.7 percent from October 2007 (16.9 US million). Thailand's trend in clothing export growth to Japan has also continued to 2008. Thailand's clothing export from January to June in 2008 accounted for 142.5 US million or a 18.3 percent growth, which is 22.1 US million more than the same period last year.

Regarding the TAFTA, Thailand's textile and garment industry is not fully expected to reap benefits from the agreement as much as from the JTEPA. The major reasons are due to a small size of Australian clothing market and the restrictions and barriers to Thai textile and garment trade liberalization from the Agreement. As oppose to the JTEPA, Australia still maintains its rather high tariff on Thai products of 12.5 percent until 2010 when the tariff will be reduced to 5 percent, and to total elimination in 2015.¹²⁹

Nevertheless, a growth in Thai textile and garment export, especially the ready-to-wear clothing which is the main export product, to Australian market can be detected since 2005 when the TAFTA came into force, According to the Thai Customs Department, Thai garment export to Australian accounted for 40.4 US million but in 2006 and 2007 Thailand increased its garment export to Australia to 49.6 US million and 50.2 US million

¹²⁹ Thailand-Australia Free Trade Agreement (TAFTA)
Department of Foreign Affairs and Trade
http://www.dfat.gov.au/trade/negotiations/aust-thai/goods_tariff_commitments.html (Access on September 15, 2008)

respectively. From the statistics, it is obvious that the TAFTA has not produced significant advantages for Thai textile and apparel producers as expected. This is mainly due to the fact that Australia has undertaken a unilateral reduction of its tariff, which significantly reduces the tariff preferences enjoyed by Thai exporters under the TAFTA.¹³⁰

On the contrary, in the textile and garment industry, the TAFTA seems to provide benefits more for the Australian side. Since the implementation of the TAFTA and given that Thailand immediately eliminated its tariff on 80 percent of textile and garment products in January 2005, Australia has continued to export textile, especially fiber, more to the Thai market.

In conclusion, Thailand's textile and garment industry has faced with disappointment in its hope to expand the country's textile and garment export to both Japan and Australia under the JTEPA and the TAFTA. The major reason is due to the position of China in the world's textile and apparel market. Thailand, though enjoys some certain level of tariff reduction under the Agreements with the two countries, still cannot withstand the Chinese competition mainly owing to the lower costs of Chinese goods (approximately 30 percent cheaper than the Thai products)¹³¹, which consequently drives down the Thai competitiveness in the markets. However, when compared between the JTEPA and the TAFTA regarding the Thai textile and apparel industry, it is quite clear that the JTEPA provides benefits to Thailand more than the TAFTA in both export volume and export growth in the industry.

¹³⁰ Somkiat Tangkijvanich, et al. Research on Impact of FTAs on Thailand (in Thai). Thailand Development Research Institute (TDRI), January 2006.

<http://www.thaifta.com/trade/study/fta03.pdf> (Access on September 15, 2008)

¹³¹ Chalumon Lotharukpong. The Future of Thailand's Textile and Garment Industry: The Challenge, Opportunity and Threats in the Post-Quota Period. International Chamber of Commerce, Thailand, pp. 7-54.

Agricultural Sector

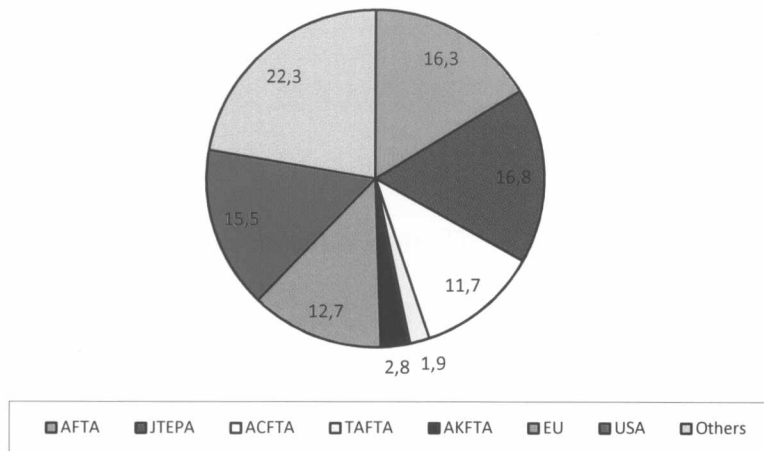
It might seem that Thailand, as one of the developing countries, focuses on the industrial sector rather than on the agricultural sector. The truth is that Thailand still relies mainly on the revenues derived from the agricultural products and that agricultural sector is still the biggest sector for the Thai economy which comprises of roughly 60 percent of Thailand's labor force.¹³²

After the realization of the free trade agreements concluded between Thailand-Australia and Thailand-Japan, both partners agreed on open their markets for one another. The two parties decided to eliminate or, at least, reduce the import duties on agricultural products so that the benefits would be reached both for producers and consumers. Comparing benefits Thailand has received between the two FTAs, the TAFTA and the JTEPA, it is quite obvious to state that the JTEPA has truly done much more for the Thai agricultural sector than the TAFTA. The basic argument is that Thailand generally exports agricultural products to Japan greater than to Australia as seen in Figure 41. Japan is actually the biggest market for Thailand while Australia ranks eighth, meaning that fundamentally Japanese market is more significant for Thailand's agricultural products than Australian market.¹³³

¹³² Akegarong Wichasilpa and Peeraya Kuntachai . "From Thai Shrimp... to be Japanese Dish"
A case study of Thai SMEs in exporting frozen shrimp to Japanese market
School of Business, Malardalen University, (2006)

¹³³ Zamroni. Thailand's Agricultural Sector and Free Trade Agreements
Asia-Pacific Trade and Investment Review, Vol. 2, No. 2, December 2006

Figure 40: Major Agricultural Export Markets of Thailand in 2006



Source: Thailand Development Research Institute (TDRI)

Note:

AFTA: ASEAN Free Trade Area

JTEPA: Japan-Thailand Economic Partnership Agreement

ACFTA: ASEAN-China Free Trade Agreement

TAFTA: Thailand-Australia Free Trade Agreement

AKFTA: ASEAN-Korea Free Trade Agreement

Furthermore, the JTEPA liberalized trade for most of the agricultural product lines including fruits, vegetables, fishery products, etc. As a result, Thailand's exportation of agricultural products increased significantly to Japan which bestows Thailand a greater share of agricultural products in Japanese market. The previous chapter also shows figures illustrating Thailand's increase of fruit export and shrimps and prawns export to Japan. Shrimps and prawns export, in particular, shows a considerable benefit from the JTEPA as Thailand manages to increase its export and that Thai shrimps and prawns have become more competitiveness in the Japanese market. Prior to the JTEPA, Thai shrimps had to face tough competition from key rivals especially Vietnam, to whom Thailand has tremendously lost its share in the Japanese market.¹³⁴ However, the JTEPA eliminated import tariff on Thai shrimps which, as a result, increases Thailand's competitiveness and enhances Thai shrimps' market share in Japan.

¹³⁴ Akegarong Wichasilpa and Peeraya Kuntachai., *ibid.*

On the contrary, Thailand-Australia Free Trade Agreement seems to provide a negative impact for Thailand's agricultural sector especially in the area of meat and dairy products. Given that Australia is one of the major meat exporters in the world, it is undoubtedly that after the reduction of a high tariff rate on Thailand's meat products, Thailand would face with an influx of Australian meat which would confer negative consequences to Thai farmers. The statistics from Thai Customs Department have shown that since the implementation of the TAFTA, Thailand has increased an importation of meat products from Australia ceaselessly. The same problem can be seen in dairy products. The liberalization of trade between Thailand and Australia has presented a negative effect for Thai dairy farmers as well since they have to compete with Australian products both in prices and quality.

However, the real effect of the TAFTA on Thai meat and dairy products cannot be fully assessed at the moment as the import tariff is not totally eliminated yet. Meanwhile the government plays an important role in developing and improving this particular sector so that Thai meat and dairy products will be equipped with better quality and standard which will enhance Thai products a greater competitiveness in the market.

To sum up, the TAFTA and the JTEPA each provides different benefits at different levels to Thailand in general. However, from the studies of advantages and disadvantages Thailand has gained through the Thailand-Australia Free Trade Agreement and Japan-Thailand Economic Partnership Agreement concerning three biggest industries, it is obvious to point out that Thailand has relatively better gains through the TAFTA than the JTEPA.

As far as the TAFTA is concerned, Thailand reaps benefits greatly from the automotive and auto parts export, which is one of the major industries in Thailand. The Thai textile and garment industry does not show a strong advantage from the TAFTA

mainly owing to the high tariff and the lack of competitiveness of Thai goods in the Australian market. The most obvious negative impact from the TAFTA can be seen through the agricultural products especially meat and dairy products, which presented a decrease in exportation to Australia and an increase in importation from Australia. It is obvious to state that in the area of agricultural products, the TAFTA provides benefits for Australia rather than for Thailand.

On the other hand, the JTEPA generally has not provided benefits to Thailand as it had been estimated prior to the implementation of the Agreement. As of automotive and auto parts industry, Japan is in fact the beneficiary from the Agreement. Thailand not only exports less to Japan but also has to face with an influx of iron and steels, which are used as base materials for the auto parts industry, from Japan. This has caused many local producers fortune. As far as Thai textile and garment industry is concerned, the JTEPA has not provided great benefits to Thailand as it had been estimated at the beginning. The obvious benefit the JTEPA bestows on Thailand is probably in the agricultural sector. Thailand's increase in agricultural export to Japan can be detected clearly after the elimination of the import duties. However, it is noteworthy to keep in mind that the JTEPA has only been implemented since November 2007 therefore the impact of the JTEPA on Thailand's industries might not be clarified yet. Thai industries, nevertheless, are still hoping to reap benefits from the JTEPA in the near future.

Conclusion

Thai government's policy on economy transformation from import substitution to export-driven strategy has provided Thailand with pro-active trade strategies. For the past decade, Thailand has pursued these strategies through many free trade agreements at all levels, multilateral, regional and bilateral. The wave of economic cooperation around the world has persuaded Thailand to seek some sort of economic link with its important trading partners as it can lead to an increase of trade volume, an open up of foreign markets and eventually an economic prosperity to the country.

As RTAs have increasingly been a strong current around the world, the ASEAN member countries realized the importance of establishing some sort of economic cooperation within the region which led to a formation of ASEAN Free Trade Area.

The overall impact of the AFTA on Southeast Asian region can be seen through an increase of the intra-regional trade pattern in the region. Each member country has changed their focus from trade dependence on the economies outside the region to an increase of trade among the ASEAN member countries.

The ASEAN FTA has a great impact on Thailand's expansion of export and import in ASEAN among the member countries. The elimination or the limitation of import duties to between 0-5 percent under the CEPT scheme has truly provided Thailand many considerable benefits. As far as Thailand's export is concerned, Thailand has managed to expand its export markets and the export volume to the ASEAN member countries has continued to grow since the implementation of the CEPT scheme. As of Thailand's import, the reduction of import duties under CEPT scheme has also made imported products and goods from ASEAN cheaper which again lowers the production cost and thus create competitiveness of the Thai products in the world market.

The three major Thai industries which have benefited the most from the AFTA are automotive industry, electrical and electronics industry and plastic industry. As far as the Thai automotive industry is concerned, the AFTA has granted Thailand a more potential and opportunity to penetrate the ASEAN market which has made Thailand the biggest auto and auto parts supplier in the region. As regards to Thailand's electrical and electronics industry, the trade liberalization under AFTA has made ASEAN one of the biggest electrical and electronic export markets for Thailand. The AFTA has also provided great benefits for Thailand's plastic industry. ASEAN market is the major plastic export market for Thailand mainly due to Thailand's superior technology, ability and potentiality.

Besides the increase of Thailand's export and import, the increase of trade and the strengthening of trade relationship between Thailand and each ASEAN member country are also other consequences of the establishment of the ASEAN Free Trade Area. With the exception of trade deficit with some member countries mainly due to the import of natural resources, the AFTA has provided Thailand a huge trade surplus and the trade between Thailand and the ASEAN member countries in general has boosted immensely. Thailand, as well as other member countries, has changed its trade direction, from outside trade to intra-ASEAN trade. By the end of 2003 when the CEPT scheme was fully implemented by the ASEAN-5, ASEAN has become one of the most significant trading partners for Thailand.

Beside Thailand's commitment to the regional free trade arrangement, Thailand has also included bilateral free trade agreement into the country's trade strategies as the bilateral FTAs are expected to bestow considerable benefits to the country. The bilateral free trade agreement is so far the most popular form of agreement Thailand prefers to commit with its trading partners mainly due to its greater efficiency and lesser complication as it involves only two parties.

As far as the bilateral free trade agreements are concerned, Thailand has managed to conclude many FTAs with its trading partners all around the world. The Thailand-Australia Free Trade Agreement (TAFTA) was one of the first economic-driven FTAs. After three years since the implementation of TAFTA, the FTA is considered a great benefit for Thailand especially for Thai automotive industry. The TAFTA has granted Thailand a greater share on Australian automotive market particularly for Thai one-ton pickup trucks. However, Thai agricultural sector is in fact a major loser from the FTA as Thai products, mainly meat and dairy products, are not competitive enough when compared to Australian products. In this regards, Thai government has to play an important role in improving this particular sector to increase competitiveness of Thai products.

Another recent bilateral free trade agreement Thailand concluded with its trading partner is JTEPA. Given that JTEPA is still very young and immature, the impact on Thailand cannot be fully assessed yet. However, after one year since JTEPA was implemented, it has had both positive and negative impact on Thailand. The most obvious positive impact can be seen on agricultural products especially fishery products, which enjoyed tariff elimination immediately, through an increase of export. The worst impact from JTEPA might be the auto parts or Thailand's iron and steel industry as Japan increased its iron and steel import, which is cheaper and better quality, to Thailand and hurt the Thai auto parts producers who cannot compete with imported Japanese products. Despite few disadvantages of the TAFTA and JTEPA on Thailand, the two FTAs are still considered great benefits for Thailand and its economy.

Though many concern that Thailand's attempt to push for bilateral free trade agreements will lead to an influx of imported goods and eventually will harm domestic industries, the already concluded free trade agreements have shown that the

abovementioned statement is only a myth as FTAs are in fact helping Thailand to reach its true economy capability.

The expansion of bilateral free trade agreements is definitely providing substantial benefits and advantages for both Thai producers and consumers. Consumers are granted with goods variety which, as an effect, drives down the price in the market and therefore can increase the purchasing power. As of producers, trade liberalization allows Thai producers to be able to expand their market access which, as a result, increases trade flow between the countries. On the other end, expanded foreign competition through the bilateral free trade agreements induces local producers to increase innovation, new technology, and new strategy or to increase competitiveness so that the products will be able to compete with foreign ones.

Furthermore, it can be said that domestic reforms lie beneath the benefits derived from commitment through both regional and bilateral FTAs. As stated by Jirayu Tulyanond, “...*Thailand, similarly seen in many developing countries, is plagued with numerous legislative, bureaucratic and institutional weaknesses that impede its ability to advance economically... FTAs could provide the external impetus for Thailand to transform some of its archaic procedures and systems that could not have otherwise been changed due to vested domestic political interests...*”¹³⁵. As seen in FTAs Thailand concluded with its trading partners, these non-trade-related issues were mentioned clearly on the drafts. The trading partners pay utmost consideration concerning these issues namely corruption, government transparency, competition policy, customs procedures, etc. because these issues are the basic foundations which can indicate whether or not a liberalized trade will be effective and efficient. As a result, Thailand has to endure several domestic reforms to meet these requests in order to conclude free trade agreements.

¹³⁵ Jirayu Tulyanond. Thailand's Trade Policy: Progress and Purpose
<http://www.thailandoutlook.com/thailandoutlook1/download/special/FTAarticleforwhan2.pdf> (Access on November 20,2008)

To sum up, Thailand has been trying to pursue many bilateral free trade agreements mainly to seek greater and wider export markets. As far as the free trade agreements Thailand has concluded with its partners are concerned, benefits emerged from these free trade agreements are quite substantial. Nevertheless, committing free trade agreements with trading partners is still considered quite new procedure and new challenge for Thailand. There are still plenty of free trade agreements waiting ahead of Thailand so it is necessary for all sides to take thorough consideration and assessment before deciding to conclude new free trade agreements in the future so that the utmost benefits could be fully achieved.

APPENDIX

The European Union-Ukraine
Free Trade Agreement

APPENDIX

The EU-Ukraine FTA

The relations between the European Union and Ukraine were established in 1991 following the collapse of the Soviet Union, when the Minister for Foreign Affairs of the Netherlands as the EU Presidency, on behalf of the European Union, officially recognized the independence of Ukraine.¹³⁶ As a result, the Partnership and Cooperation Agreement between the two parties, also known as PCA, was established in 1994 and came into force in March 1998 as a guideline for the EU-Ukraine relations covering a wide range of areas including politics, trade, economy and humanity. The PCA is not only the first agreement between the European Union and the independent Ukraine but also the framework in which EU-Ukraine relations have developed up until present.

In 2003, the EU proposed a new framework for its relations with neighbors, including Ukraine, called the European Neighborhood Policy (ENP).¹³⁷ In order to make the ENP practical, the EU agreed with each ENP country a plan of action that specifies priorities that should be realized in the short-to-medium term or 3-5 years.¹³⁸ A historical shift for the Union and Ukraine in political, geographical and economic terms appeared following the enlargement of the European Union on May 1, 2004. The two parties now

¹³⁶ Ministry of Foreign Affairs of Ukraine: Ukraine-EU Bilateral Relations
<http://www.mfa.gov.ua/mfa/en/847.htm> (Access on November 2,2008)

¹³⁷ The European Neighborhood Policy (ENP) is the policy developed by the European Union in 2004 that offers every neighbor country a chance to choose its own path towards the European Union. The objective of ENP is to avoid the emergence of new dividing lines between the enlarged EU and its neighbors and also to strengthen the prosperity, stability and security of all sides. The European Union, then, offers its neighbor countries a privileged relationship including a deeper political relationship as well as economic integration. There are currently 16 countries within ENP namely Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Occupied Palestinian Territory, Syria, Tunisia, and Ukraine. (for more information go to http://ec.europa.eu/world/enp/policy_en.htm)

¹³⁸ Maigorzata Jakubiak et al. Prospects for EU-Ukraine Economic Relations. Center for Social and Economic Research (CASE) Ukraine, (2006)
<http://www.case-ukraine.com.ua/u/publications/7f81ffdfa28c15083a141a60dfda27f1.pdf> (Access on November 12,2008)

have become direct neighbors signifying that both the European Union and Ukraine have to reinforce their political and economic interdependence.¹³⁹

The reason above was the main drive for the European Union and Ukraine to ratify the Action Plan in February 2005. The EU-Ukraine Action Plan sets priorities in a wide range of areas. As of economic domain, it sets out Ukraine's WTO accession, which is a prerequisite for FTA talks, removal of non-tariff barriers in bilateral trade, improvement of investment climate, tax reform and approximation of legislation.

Overall, the implementation of the Action Plan helps to fulfill the provisions in the Partnership and Cooperation Agreement (PCA) which the two parties had agreed earlier. It also encourages and supports Ukraine's objective of further integration into European economic and social structures. Furthermore, the Action Plan is expected to strengthen EU-Ukraine close relations, promote stability, security and the well-beings of the two parties. *"Ukraine and the European Union will work together in implementing this Action Plan. As confirmed in the European Union's Common Strategy on Ukraine, the European Union acknowledges Ukraine's European aspirations and welcomes Ukraine's European choice"*.¹⁴⁰

Normally, the EU and Ukraine dialogue has been carried out mostly through annual meeting where the two parties discuss about Ukraine's position in the enlarged European Union. Presently, the dialogue is based on Ukraine's implementation of the Strategy of integration into the European Union, implementation of the PCA and elaboration of the Action Plan in the framework of the European Neighborhood Policy.

This year, 2008, the European Union and Ukraine agreed to negotiate a new framework agreement to replace both PCA and the Action Plan. This is considered a good opportunity for both parties to strengthen and deepen the relationship. The obvious attempt

¹³⁹ EU/UKRAINE Action Plan
http://ec.europa.eu/world/enp/pdf/action_plans/ukraine_enp_ap_final_en.pdf (Access on September 12,2008)

¹⁴⁰ EU/UKRAINE Action Plan., *ibid.*

of Ukraine, for example, Ukraine declared its European orientation and market-driven economic principles and completed its WTO accession on 5 February 2008, has called attention to the European Union and as a result the EU considers providing Ukraine with access to the single standardized and developed EU market of nearly 500 million people under a free trade agreement.

On Monday 18 February 2008, the European Union Commissioner Peter Mandelson and Ukrainian Prime Minister, Yulia Tymoshenko launched negotiations for a free trade agreement between the EU and Ukraine after Ukraine had fulfilled all the requirements for FTA talks.¹⁴¹

The general context of the EU-Ukraine FTA is expected to have all the fundamental goal of a free trade agreement which is to boost trade and investment flows between the two parties. This will be done mainly through substantial trade liberalization and regulatory harmonization.¹⁴² The EU-Ukraine FTA will cover mainly a free circulation of goods, services, persons and capital flow. In this regards, it is believed that the FTA will create new opportunities for businesses between the two sides.

To sum up, the FTA between the European Union and Ukraine will strengthen the ties between the two countries and the result of the FTA is expected to be reciprocally beneficial to both parties. However, the author wishes to focus more on the Ukrainian side.

Since the FTA between the European Union and Ukraine has not yet been implemented, in this chapter, the author will analyze the possible impact of the FTA on Ukraine. The chapter consists of 2 sections, the first one will begin with the overview of trade between the European Union and Ukraine and the second part will be dedicated to the analysis of the possible impact of the FTA, economically and socially on Ukraine.

¹⁴¹ EU-Ukraine FTA Negotiations: Background – Kyiv, 18 February 2008
http://trade.ec.europa.eu/doclib/docs/2008/february/tradoc_137781.pdf (Access on November 12,2008)

¹⁴² EU-Ukraine FTA Negotiations: Background – Kyiv, 18 February 2008., *ibid*.

I. An Overview of the European Union-Ukraine Trade Relations

Ukraine, like other Soviet bloc countries, pursued its goal to become modernization through the five-year plans which focused mainly on heavy industry development. However, Ukraine has changed its position and its economy from industry-oriented economy to services-oriented economy at present. According to the Figure 42, in 1990, before the Ukrainian independence, the major focus on economy was on trade in goods especially industrial goods which comprised of 44.6 percent of total GDP. At that time, trade in services was not a significant indicator to the Ukrainian economy. However, after the second half of 1990s until present, trade in services in Ukraine has increased significantly. According to the statistics from the European Union, in 2006 Ukraine's trade in services reached 56.7 percent of total GDP or accounted for 89.6 percent growth from the year 1990.¹⁴³ As far as trade in services is concerned, transportation services, various business, professional and technical services and repair services are the biggest shares of total Ukraine's service exports, accounted for 76.1 percent, 8 percent and 6.1 percent respectively. On the other hand, Ukraine's biggest share of service imports are transportation services, accounted for 22.8 percent, public services, accounted for 22.4 percent, and various business, professional and technical services, accounted for 14.8 percent.¹⁴⁴

As of trade between the European Union and Ukraine, Ukraine's total trade with the European Union has steadily grown since 1998. Prior to the 2004 enlargement of the European Union, Ukraine's foreign trade with the European Union was mainly based on the trade with Italy, Germany and United Kingdom. In 2002, these 3 countries were the biggest and the most significant European trading partners with Ukraine. According to the

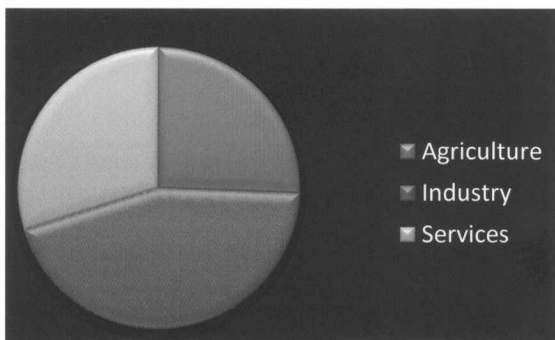
¹⁴³ Fact Sheet: Ukraine

<http://www.delukr.ec.europa.eu/files/pages/36088/1.pdf> (Access on November 13,2008)

¹⁴⁴ Ministry of Economy and European Integration of Ukraine: Review of Ukraine's Trade with EU 2004. http://www3.sympatico.ca/tem-ukraine/foreign_trade_2004.pdf (Access on November 13,2008)

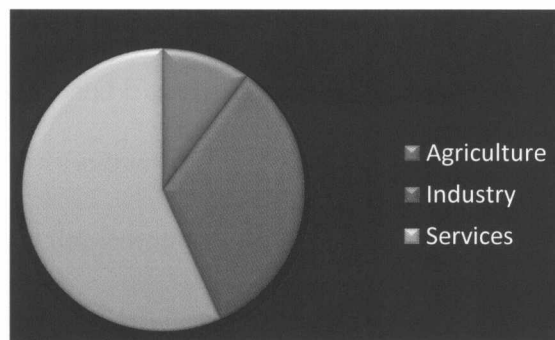
statistics shown by International Trade Centre, Germany was the biggest trading partner with Ukraine in 2002 accounted for 2,362.5 US million. Italy ranked second with the amount of 1,299.6 US million. United Kingdom was on the third place with 790.7 US million worth of trade with Ukraine. In 2003 the trend in trade between the European Union and Ukraine remained the same. Germany was still the biggest trading partner with Ukraine and followed by Italy with the amount of trade worth of 3,696.5 US million and 1,930.5 US million respectively.¹⁴⁵

Figure 41: Ukraine's GDP by Sector



1990

Agriculture - 25.6 percent
 Industry - 44.6 percent
 Services - 29.9 percent



2004

Agriculture - 10.1 percent
 Industry - 31.3 percent
 Services - 56.7 percent

Source: Eurostat

¹⁴⁵ Statistics on trade between Ukraine and its trading partners are available from *Trade Competitiveness Map* on International Trade Centre website http://www.intracen.org/appli1/TradeCom/RS_TP_CI_P.aspx?IN=00&RP=804&YR=2002&IL=00%20%20All%20industries&TY=T

Table 42: Ukraine's Top Five Trading Partner in 2003**(Value in US million)**

Rank	Country	Export	Share of Total Export (%)	Import	Share of Total Import (%)
1	Russia	4,311.3	18.6	8,645.5	37.5
2	Germany	1,423.3	6.1	2,273.2	9.8
3	Italy	1,284.8	5.5	645.7	2.8
4	China	1,002.6	4.3	519.1	2.2
5	Turkey	902.1	3.9	312.2	1.3

Source: International Trade Centre

Trade between the European Union and Ukraine prior to 2004 was perceived as one of the major economic relations between the two parties. The European Union, back then, was still the second largest and second most important trading partner with Ukraine after Russia. However, trade between the European Union and Ukraine was about to face with a huge change when the European Union decided to welcome another 15 countries from Central and Eastern Europe in the year 2004.

Following the fifth and the single largest enlargement of the European Union in 2004, the European Union has become Ukraine's largest trading partner.¹⁴⁶ The European Union had expanded its territory to cover the Central and Eastern Europe which makes some of the EU member countries, namely Poland, Slovakia and Hungary share

¹⁴⁶ Ariel Cohen, Ph.D. Ukraine's Economic Benefits from Integration into the Euro-Atlantic Community. The Heritage Foundation, No. 1045, (June 2007), pp.1-6.

geographical borders with Ukraine. This resulted in an even higher trade volume between Ukraine and the European Union in general.

Table 43: Ukraine's Top Five Trading Partners in 2006

(Value in US million)

Rank	Country	Export	Share of Total Export (%)	Import	Share of Total Import (%)
1	Russia	8,650.7	22.5	13,787.2	30.6
2	Italy	2,505.3	6.5	1,465.5	3.2
3	Turkey	2,390.0	6.2	769.0	1.7
4	Poland	1,344.5	3.5	2,109.1	4.6
5	Germany	1,283.8	3.3	4,264.3	9.4

Source: International Trade Centre

Poland and Hungary were the two major trading partners with Ukraine among the new EU10 Member countries. Already in 2005 Poland ranked fifth in Ukraine's total trade. According to the statistics presented by International Trade Centre, Poland in 2005 became the fifth biggest export market for Ukraine, accounted for 1,010.4 US million and the third largest importer for Ukraine, accounted for 1,405.9 US million. Hungary ranked tenth for the Ukrainian export markets overall with the value of 688.7 US million and also ranked tenth for the importer to Ukraine with the value of 647.6 US million. The Table 43 shows that Poland in 2006 became the fourth biggest trading partner for Ukraine after Russia, Italy and Turkey. Its trade volume with Ukraine accounted for 3,453.6 US million. This

intensified trade between Ukraine and Poland is directly a result from the European Union enlargement.

Trade in goods between the European Union and Ukraine in 2006 amounted to around 26.6 billion Euro which is a 9 percent growth when compared to 2005. The major product lines from Ukraine to the European Union are including metal and chemical products as well as machinery.¹⁴⁷ Trade between Ukraine and the European Union once again was intensified after the latest and the most recent enlargement of the European Union when Bulgaria and Romania were welcomed to be Member States of the European Union. In this sense, it provides positive effects to Ukraine as it could get an even more direct access to a large and harmonized EU market of approximately 500 million people.

According to the EUROSTAT, the European Union's export to Ukraine grew from 13,281 Euro Million in 2005 to 18,255 Euro Million in 2006 and to 22,368 Euro Million in 2007, which is accounted for 37.5 percent growth in 2005/2006 and 22.5 percent growth in 2006/2007.¹⁴⁸ The same pattern can be detected for the EU imports to Ukraine. Between 2005 and 2007, the EU imported from Ukraine accounted for 8,655 Euro Million, 9,848 Euro Million and 12,382 Euro Million respectively. The European Union's import from Ukraine rose by 13.8 percent in 2005/2006 and 25.7 percent in 2006/2007.

The European Union has continued to have trade surplus with Ukraine and the trade surplus has shown a significant grow since 2004. According to EUROSTAT (Table 46), the European Union's trade balance with Ukraine accounted for 2,125 Euro Million in 2004, 4,625 Euro Million in 2005, 8,408 Euro Million in 2006 and 9,986 Euro Million in 2007. Between 2004 and 2008, the European Union's trade balance from trading with Ukraine increased by 396.9 percent. On the other end, Ukraine has been in a trade deficit

¹⁴⁷ Trade Issues by the European Commission
Bilateral Trade Relations between the European Union and Ukraine
http://ec.europa.eu/trade/issues/bilateral/countries/ukraine/index_en.htm (Access on 1 November 2008).

¹⁴⁸ Ukraine. <http://www.delukr.ec.europa.eu/files/pages/36088/1.pdf> (Access on 1 November 2008).

from trading with the European Union since 2005. According to Table 44, Ukraine's trade balance with the European Union accounted for -2 Euro Million in 2005, -11 Euro Million in 2006 and -13 Euro Million in 2007.

Table 44: Ukraine's Trade with the European Union (2003-2007)
(Value in Euro Million)

Year	Imports	Yearly change (%)	Export	Yearly change (%)	Balance
2003	7		8		1
2004	8	10.4	9	15.2	1
2005	10	27.7	8	-7.2	-2
2006	20	105.0	9	8.9	-11
2007	25	22.9	11	25.8	-13

Source: EUROSTAT

Table 45: The European Union's Trade with Ukraine (2003-2007)
(Value in Euro Million)

Year	Imports	Yearly change (%)	Export	Yearly change (%)	Balance
2003	6,580	-	8,941	-	2,360
2004	8,458	28.5	10,583	18.4	2,125
2005	8,655	2.3	13,281	25.5	4,625
2006	9,848	13.8	18,255	37.5	8,408
2007	12,382	25.7	22,368	22.5	9,986

Source: EUROSTAT

When compared the EU-Ukraine trading strategy, it is clear that the European Union is much more important to Ukraine's trade than Ukraine's trade to the European Union. Ukraine ranks thirteenth for the European Union's export market and ranks sixteenth for the overall European Union's trading partner. However, it might be wrong to conclude that Ukraine is not at all important for the European Union because Ukraine is still important both as a market for European products and as a supplier or raw materials, but also as a destination for investment.¹⁴⁹ On the contrary, the European Union ranks first for Ukraine's trading partner. The European Union is also the biggest and the most important source for the Ukrainian's export and import.

¹⁴⁹ EU-UKRAINE Free Trade Agreement (FTA)
BUSINESSEUROPE, (January 2008)
http://wto.in.ua/files/content/pdf/businesseurope_eng.pdf (Access on November 17,2008)

According to the Ukrainian government, Ukraine's export structure to the European Union is made up by ferrous metal and products, energy materials, oil and oil refining products, ores, slugs and ashes, textile clothes, and timber and wood products. As of import structure from the European Union, Ukraine imports boilers, machines, instruments and mechanical devices, electric machines and equipment, land-based vehicles, polymeric materials, plastics, and pharmaceutical products.¹⁵⁰

The next section will discuss about the impact of EU-Ukraine FTA on some main sectors in Ukraine. The impact of the FTA in each sector will be analyzed economically and socially. The end of the appendix will discuss about some similar aspects between Ukraine and Thailand regarding the two countries' position in committing in free trade agreements. Given that the EU-Ukraine FTA has not yet been formally established, Ukraine can learn some lessons from the example of Thailand's FTAs with its trading partners so that Ukraine can prepare itself the best way it possibly can before inking the agreement with the European Union.

¹⁵⁰ Government Portal: Web-Portal of Ukrainian Government: State of Trade and Economic Relations between Ukraine and the EU (2005).
http://www.kmu.gov.ua/kmu/control/en/publish/article?showHidden=1&art_id=65950862&cat_id=32729&time=1170947966733 (Access on November 17,2008)

Table 46: Commodity Pattern of Foreign Trade of Ukraine (2003-2007)

(Value in US million)

Commodity	2007		2006		2005		2004		2003	
	Export	Import	Export	Import	Export	Import	Export	Import	Export	Import
Live animals and livestock products	747.1	771.4	396.4	649.0	732.2	499.6	648.4	314.9	523.3	189.1
Plant products including cereals, oil seeds and vegetables	1726.3	860.5	1951.1	671.6	1695.8	525.4	1137.4	439.4	745.8	776.3
Finished food industry products	2056.2	2090.9	1394.3	1654.6	1291.6	1454.8	1140.7	1004.5	904.3	1098.8
Mineral products including ores, slags, coal, crude oil, natural gas, electric power	4275.2	17280.3	3871.7	13506.2	4707.9	11567.8	4323.7	10845.3	3499.7	8479.1
Base metals and preparations thereof including ferrous metals	20787.2	4742.7	16420.0	3327.2	14047.2	2468.8	13050.7	1752.8	8500.7	1196.8
Machines, equipment and mechanisms	4976.5	10571.7	3330.4	7873.4	2841.8	6342.2	3030.9	4740.6	2326.0	3478.2

Source: State Statistics Committee of Ukraine

II. Assessment of FTA on Ukraine's Agricultural Sector

Ukraine possesses a significant potential for agricultural production given that the country enjoys a large area of agricultural land with fertile soils combined with favorable climate conditions. Despite Ukraine's potential to cultivate many crops on a large-scale as well as to develop an efficient livestock production, the country's potential is underused to a great extent.¹⁵¹ Agriculture in Ukraine is the fourth largest sector of the economy after manufacturing, transportation and trade in services. On average, the value-added from agriculture comprises more than 10 percent of GDP. The major productions within the agricultural sector are grain, crops and vegetables in crop production plus meat in animal production.¹⁵² It has been detected that Ukraine, despite its high potential for agricultural sector, has been having a decrease in its agricultural production for the last decade. This is mainly due to the poor state policy for agricultural development by the government, undeveloped infrastructure including the agricultural equipments and new technology, as well as the low quality of livestock products. These factors are the main barriers to the growth of Ukraine's agricultural products export to the outside markets.

Trade on agricultural products between Ukraine and the European Union increased gradually especially after the 2004 enlargement. The European Union then is taken as one of the major potential market for Ukraine's agricultural production. In 2005, Ukraine's exports of agricultural products to the European Union accounted for 20.6 percent of the country's total exports to the European Union. This is a 24 percent increase in the exports of agricultural products to the European Union against 2004.¹⁵³

¹⁵¹ Alexander Kobzev. A Regional Agricultural Trade Model for Wheat and Sunflower Seeds in Ukraine., pp. 1-8.

<http://www.policy.hu/kobzev/RegionalTrade.pdf> (Access on November 15,2008)

¹⁵² TSIA for the EU-Ukraine FTA: In-depth sector and horizontal issue studies. (October 2007).

<http://tsia.ecorys.com/media/FinalPhase2Report.pdf> (Access on November 10,2008)

¹⁵³ Free Trade Between Ukraine and the EU: An Impact Assessment
International centre for policy studies, 2007

www.icps.com.ua/doc/FTA_Impact_E.pdf (Access on November 10,2008)

On the other hand, Ukraine has also become one of the major agricultural export markets for the European Union. According to the statistics, the agricultural import from the European Union to Ukraine increased by 43.5 percent in 2004/2005, which eventually makes Ukraine a net importer of agricultural products in its trade with the European Union.¹⁵⁴

By introducing the FTA between the European Union and Ukraine on agricultural products, it is expected to help trade flows between the two parties. At the moment, the most important barrier to agricultural trade is the tariffs. Therefore, it is believed that a tariff liberalization, which will be included in the FTA talk, will encourage the trade flow which will eventually lead to a tighter and closer economic tie between the European Union and Ukraine.

The major sector in agriculture that is expected to reap benefits from the EU-Ukraine FTA is in field crops especially cereals. Field crops remain the main type of goods exported to the EU by Ukraine. To be more specific, grains or grain crops are the most important agricultural production from Ukraine to the European Union which account for more than half of the country's total agricultural export to the EU. As shown in Table 47, Italy, Spain and Hungary has been Ukraine's major markets for grains since 2002. Currently, Spain, Hungary, Germany and Poland are included into the top five export markets in this area for Ukraine.

According to the International Trade Centre, cereals are the fifth largest industries in Ukraine and the biggest agricultural export to the world. The impact of the FTA on cereals is expected to be crucial and probably the most obvious result on agricultural sector in Ukraine. The cereals sector is expected to undergo immediate positive effect such as Ukraine will be able to import cereals more to its European markets due to the low tariffs

¹⁵⁴ Free Trade Between Ukraine and the EU: An Impact Assessment., *ibid.*

or the elimination of tariff on these products. Furthermore, a study by ECORYS suggested that “...output in cereals in Ukraine is expected to increase shortly after the implementation of FTA as certification of Ukrainian grains is already internationally recognized... also improvements in the Ukrainian trade balance are also expected since domestic cereals are much cheaper than the European cereals. The FTA also is expected to lead to more investments in grain production which eventually will bring about competitiveness in Ukrainian grain production in the world...”¹⁵⁵

Another big agricultural sub-sector estimated to have a positive effect from the FTA is sunflower-seed oil. Ukraine ranks the second largest exporter of sunflower-seed oil in the world after Argentina. The sunflower-seed oil export comprises of approximately 16 percent of Ukraine’s total agricultural exports.¹⁵⁶ Despite the fact that the European market is already the major market for Ukrainian sunflower-seed oil (see Table 47), the production of this particular oil is not expected to undergo any significant changes. The main reason is that import tariffs on sunflower-seed oil are already low and Ukraine has traditionally already been the sunflower oil importer to the European market. As a result, Ukraine’s sunflower-seed oil trade balance is therefore expected to improve considerably mainly due to low producer prices for the product and fast export growth to the EU market.

Livestock and poultry breeding are one of the key sub-sectors accounting for 17.2 percent of gross agricultural production but the country has faced with declining domestic production which leads to a significant deficit of beef and pork on the market at present. In general, Ukrainian meat and pork production is inefficient mainly due to household-based domestic production and lack of technological advancement in this field.¹⁵⁷ Therefore,

¹⁵⁵ ECORYS Nederland BV., *ibid.*

¹⁵⁶ East Agri, Central European Initiative (CEI): Ukraine
http://www.eastagri.org/country_detail.asp?id=28 (Access on November 13,2008)

¹⁵⁷ Ukraine: Livestock and Products 2008
<http://www.thepigsite.com/articles/7/markets-and-economics/2398/ukraine-livestock-and-products-2008>
(Access on November 13,2008)

Ukraine manages to export an approximately of seven percent of the total meat production which is considered a very low amount compared to other sub-sectors in agriculture. The EU is not the key market for Ukrainian meat. The major and rather huge obstacle for Ukraine's meat production to gain access to European market is mainly due to the low quality and standard of Ukrainian meat products.¹⁵⁸

After the introduction of the FTA, Ukrainian livestock sector is not expected to receive immediate positive effect. In contrary, the FTA is expected to provide a negative effect to Ukrainian livestock sector in the short run as import of live animals which include cows, pigs, chicken from the European Union is likely to happen immediately after the introduction of the FTA. Given the fact that Ukraine's import source of live animals is mainly and traditionally from the European Union especially from Poland, Hungary and Germany as seen in Table 47, combine with the inefficiency in Ukrainian's livestock, the import of live animals from the EU due to the FTA should be effortlessly expected.

¹⁵⁸ ECORYS Nederland BV. TSIA for the EU-Ukraine FTA: In-depth sector and horizontal issue studies., (October 2007), pp. 49-105.
<http://tsia.ecorys.com/media/FinalPhase2Report.pdf>

Table 47: Exports of Ukraine – Oil seeds, grains, seed, fruits, etc. (2002-2006)

Country	(Value in US million)									
	2006		2005		2004		2003		2002	
	Export	Share of total exports (%)	Export	Share of total exports (%)	Export	Share of total exports (%)	Export	Share of total exports (%)	Export	Share of total exports (%)
Spain	38.1	12.1	6.0	4.5	14.0	8.3	27.1	10.3	N/A	N/A
Hungary	37.8	12.0	44.8	33.1	35.7	21.2	21.1	8.0	N/A	N/A
Germany	28.8	9.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Poland	26.8	8.5	6.7	5.0	N/A	N/A	N/A	N/A	N/A	N/A
Italy	N/A	N/A	9.3	6.9	8.5	5.0	N/A	N/A	3.2	7.5
France	N/A	N/A	N/A	N/A	N/A	N/A	29.0	11.0	4.6	11.0
Netherlands	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.5	8.3
Latvia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.5	17.7

Source: International Trade Statistics

N/A: Not Available

As to meat market, the Ukrainian market, after the FTA implementation, is likely to be flooded with cheaper and better quality fresh meat from the European Union. However, the FTA is expected to provide opportunity for domestic producers to improve their quality and competitiveness in the market. Investments will be stimulated by the necessity to comply with the EU food safety requirements. In the long run, it is believed that the Ukraine's meat sector will be improved and able to expand its production and may build up a strong position on the European market.

The impact of the FTA between the European Union and Ukraine on the Ukrainian agricultural sector is expected to be marginal mainly due to the general scope of the FTA between the European Union and other countries has traditionally excluded the majority of agricultural products and also due to the insignificance of Ukraine's agricultural sector concerning trade with the European Union.

Table 48: Imports of Ukraine – Live Animals (2002-2006)

Country	2006		2005		2004		2003		2002	
	Import	Share of total imports (%)	Import	Share of total imports (%)	Import	Share of total imports (%)	Import	Share of total imports (%)	Import	Share of total imports (%)
Poland	9.5	24.4	18.4	43.0	1.4	10.7	1.2	10.5	0.8	14.1
Hungary	5.7	14.6	5.6	13.2	4.3	32.8	3.8	32.9	1.5	26.0
Germany	4.8	12.2	5.9	13.7	2.3	17.7	1.1	9.8	1.2	20.5
Netherlands	4.7	12.0	N/A	N/A	N/A	N/A	N/A	N/A	0.6	10.1
Slovakia	3.7	9.5	4.0	9.5	1.3	10.6	0.8	7.6	N/A	N/A
France	N/A	N/A	2.1	5.0	0.8	6.8	0.8	7.1	0.5	9.3

Source: International Trade Centre

N/A: Not Available

III. Assessment of FTA on Ukraine's Metallurgical Sector

Ukraine's metallurgical sector¹⁵⁹ is very important to the Ukrainian economy as it contributes 20 percent to Ukrainian GDP growth and employs more than 500 thousands workers. The share of metallurgical productions accounted for 28 percent of total industrial production. Furthermore, Ukraine is the seventh biggest steel producer in the world after China, Japan, USA, Russia, Germany and South Korea. The country supplies more than 80 percent of its total metallurgical production to the foreign markets which makes Ukraine the fourth biggest steel exporter to the world market after Japan, Russia, and Germany.¹⁶⁰

During USSR times, most of Ukraine's steel production was used to supply to former Soviet Republics. After the collapse of the USSR, Ukraine, then, was left with high-capacity metallurgical sector. As a result, nowadays the production of steel in Ukraine depends on export demand because its domestic demand on steel only constitutes approximately a quarter of domestic steel production.

Additionally, metallurgical sector of Ukraine does not reach its capacity level mainly due to the use of mostly outdated technology which is inefficient and very energy consuming. Labor productivity is very low though the industry employs huge amount of people. According to the report by Eremenko and Lisenkova, production of crude steel per worker per year in Ukraine is only 75 tons while in the EU equals to 590 tons, 430 tons in Brazil and 350 tons in South Africa.¹⁶¹

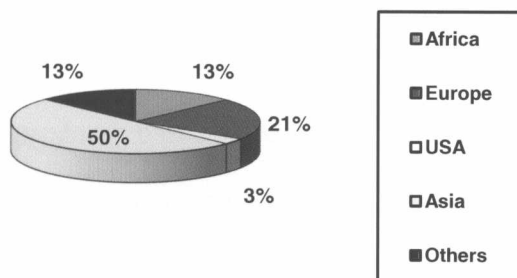
¹⁵⁹ Metallurgy is the largest key industry in the economy of Ukraine. Most of the industries within metallurgy including machine building and metal-working industries have to rely on ferrous and non-ferrous metals so in these industries, metal is the main source of materials. The main raw material for ferrous metallurgy is iron ore. In this sense, Ukraine is completely self-sufficient as it possesses its own basin of iron ore (Rih basin provides more than 90 percent of iron ore used in the industries). Furthermore, Ukraine is also self-sufficient in coke, manganese, and other supplementary materials. This is why metallurgy in Ukraine is very huge and considered one of the major industry contributed to the country's economy.

¹⁶⁰ Igor Eremenko and Ekaterina Lisenkova. Impact of Joining the WTO on Ukrainian ferrous metallurgy: Subsidies vs. antidumping, is there really a trade-off? Economic Research Network Russia and CIS, No. 05/02, (Moscow 2005), pp. 4-29.

¹⁶¹ Igor Eremenko and Ekaterina Lisenkova., *ibid.*

Speaking of the EU-Ukraine trade in metallurgy sector, steel industry in Ukraine has achieved world class cost and performance levels on the EU market. Ferrous metal needed in metal industries is the major export article from Ukraine to the European Union. According to Figure 49, Ukraine mostly emphasizes its export market on ferrous metal in Asia and Africa, which together amounted to two-thirds of total exports. In 2005 Ukraine increased its export to the EU to 4.5 million tons of ferrous metals and correspondingly up to 5.1 million tons of all metals.¹⁶² Despite the geographical proximity, Ukrainian ferrous export and steel export to the European Union is still considered very low. The key rationale is due to protectionists' policies. The European Union, feared the influx of cheaper Ukrainian steel production, set up an agreement on steel trade quota from Ukraine. The agreement was automatically renewed year by year and the quantities in every product group had to be increased by 2.5 percent. However, on the day Ukraine entered WTO (18 May 2008), the agreement between the EU-Ukraine on steel trade was terminated and the quantitative limits were also abolished as well.

Figure 49: Geographical Structure of Ukraine's Ferrous Metal Exports in 2003



Source: World Bank

¹⁶² "TSIA for the EU-Ukraine FTA: In-depth sector and horizontal issue studies." Ecorys.com October 2007. 10 November 2008. <<http://tsia.ecorys.com/media/FinalPhase2Report.pdf>>.

Within the European Union, Ukraine has continued to export ferrous metal to Netherlands and Germany since 2002. Netherlands has been the biggest importer of Ukrainian ferrous metal since 2002 and the amount has also increased every year. In 2006, Netherlands imported almost 70 percent of total export under the HS Code 81 category (including other base metals, cermets, articles thereof) from Ukraine as seen in Table 50.

For the European steel industry, FTA negotiations should be based on the objective of achieving improved market access and reciprocity, particularly in relations to border restrictions, foreign investment, competition policy and trade defense.¹⁶³

Owing to the abolishment of steel quota, it is therefore believed that after the EU-Ukraine FTA implementation, the metallurgy sector in Ukraine is expected to gain benefits immensely. Given the fact that steel production in the country exceeds the domestic demand and the low price, which is highly competitive in the EU market and geographical proximity, Ukraine will be able to increase its exports of steel to the European Union. In the long run, it is also expected that Ukrainian metallurgical industry will be an attraction for foreign investment as well as the import of new technology and know-how which would lead to plant modernization in order to maintain profitability and increase its competitiveness in the world market.

Nevertheless, it is estimated that Ukrainian steel products might confront with many difficulties before entering to the EU market. This is mainly due to the European major steel producer namely Germany, who is expected to guard its high share of the EU market on steel products. Therefore, it is expected that relevant lobbyists and players in this field will try to influence so that the trade on metallurgical products will be less liberalized as possible.

¹⁶³ EUROFER: EU Free Trade Agreements.
<http://www.eurofer.be/index.php/eng/Issues-Positions/Trade/Bilateral-Issues/EU-Free-Trade-Agreement-Negotiations> (Access on 16 November 2008)

Table 50: Export of Ukraine – Other Base Metals, Cermetts, articles thereof (incl. ferrous metal)
(Value in US million)

Country	2006		2005		2004		2003		2002	
	Export	Share of Total Export (%)	Export	Share of Total Export (%)	Export	Share of Total Export (%)	Export	Share of Total Export (%)	Export	Share of Total Export (%)
Netherlands	108.4	67.3	44.1	38.9	14.7	28.3	16.8	32.6	13.2	23.4
Germany	4.2	2.6	N/A	N/A	5.5	10.5	4.9	9.4	15.3	27.5
Luxembourg	N/A	N/A	14.2	12.5	N/A	N/A	N/A	N/A	N/A	N/A
Spain	N/A	N/A	5.3	4.6	N/A	N/A	N/A	N/A	N/A	N/A
Austria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.0	10.6

Source: International Trade Centre

N/A: Not Available

IV. Assessment of Social Impact after the FTA Implementation

In order to evaluate the advantages or disadvantages of the Free Trade Agreement between the European Union and Ukraine, it is insufficient to look at only the economic impact of the FTA. Both sides should not overlook the social impact that might arise after the implementation of the FTA agreement.

In this section, the author wishes to illustrate the social impact estimated to appear for the Ukrainian side after the introduction of the FTA. The first part will describe a general overview of Ukraine's current social situation focusing on poverty and labor-related issues. The second part will dedicate to the social impact in Ukraine's agricultural sector and metallurgical sector as an effect of the FTA.

Poverty in Ukraine originated from the re-distribution of resources during the country's transformation to a market-based economy. Based on the official data, monetary income of an average Ukrainian family fell by almost 60 percent immediately after the commencement of the reform during early 1990s.¹⁶⁴

The main characteristic of "Ukrainian poverty" has been the problem of poverty among the employed population. According to the Ministry of Economy, in 2005 around 27 percent of Ukrainian population was below the poverty line (using the official poverty line as 75 percent of median expenditures per equivalent adult). Most poverty is concentrated mainly in the rural agricultural areas, which derives from deficiency in income earning opportunities and low average wages.

The labor market in Ukraine is at a relatively early stage of transition. Most labor is still working for the public sector. Unemployment is another big social issue in Ukraine. Unemployment is in fact a driver of poverty in Ukraine. According to the statistics, it shows that unemployment trend in Ukraine has been decreasing over recent years.

¹⁶⁴ United Nation Development Program: Millennium Development Goals Project
Ministry of Economy of Ukraine

According to official data, the officially registered unemployment rate in Ukraine in 2007 was around 2.3 percent. However, the International Labor Organization calculates that Ukraine's real unemployment rate is nearly 7 percent.¹⁶⁵

In agricultural sector, after the implementation of the FTA between the European Union and Ukraine, it is expected that, in the short run, it will lead to a bigger unemployment rate in the agriculture sector as Ukrainian producers will face with a fierce competition from the EU producers. In some sub-sector where local products cannot satisfy the domestic needs namely dairy or meat products, it is expected that Ukrainians will see an influx of better quality and cheaper products introduced by the European Union on the markets, which will force many small producers or farmers to go out of businesses, which eventually would lead to a higher unemployment rate in this sector.

However, in the long run, these local and small farmers will need a major modernization and improvement of production technology to increase their product competitiveness on the markets. This will enhance their outputs, quality of products which, as a result, can be exported more to the EU markets due to the products meet the SPS standard requirement in the European Union. Additionally, the introduction of technological advancement and modernization in the agricultural sector will also have the positive social impact as it will lead to an improvement of quality of work, working conditions and possibilities for self-employment through entrepreneurial activities in Ukraine's rural areas.¹⁶⁶

The social impact on Ukraine's metallurgical sector mainly focuses on poverty reduction and labor issues. As already mentioned above, metallurgical sector in Ukraine is

¹⁶⁵ The World's Fact Book: Ukraine
<https://www.cia.gov/library/publications/the-world-factbook/geos/up.html#Intro> (Access on November 16, 2008)

¹⁶⁶ Irina Orlova. The EU-Ukraine FTA Social Impact Analysis. Centre for Social and Economic Research (CASE), (September 2007), pp. 4-23.

very big and very important to the country's economy. Therefore, it is no doubt that the FTA will support the growth of this sector even higher. Similarly to the agricultural sector, metallurgical sector will need modernization and technological changes to ensure more outputs and thus will increase worker salaries. The modernization and new technology also will improve working condition, worker safety, and quality of work which, then again, would reflect in higher productivity.¹⁶⁷

The FTA on metallurgical sector is expected to bring more inflow of foreign investments from the European Union. Other industries whose materials needed are based on metallurgical sector will also benefit from the FTA. Employment will increase which leads to a lower level of poverty. Given that the metallurgy sector employs by and large low-skilled workers the positive effect on poverty alleviation is expected to be substantial.¹⁶⁸

In conclusion, the free trade agreement between the European Union and Ukraine will be a milestone for a closer economic cooperation which will result in a conclusion of a free trade area. The benefits from the FTA are expected to be reciprocal for both the EU and Ukraine but the real impact can be seen clearly for the Ukrainian side. Ukrainian's exportation to and importation from the EU will increase mainly due to an elimination of import duties from both sides. As of Ukraine's export, agricultural products especially grains and cereals are expected to penetrate the EU's single market. However, livestock and meat products will not get advantages due to the low standard and quality which need to be improved. Ukraine's metallurgical products are as well expected to increase its export capability after the FTA came into force. Regarding the importation from the EU, it is estimated that EU products will as well increase its share in the Ukrainian market especially products which lack competitiveness in the market. As a result, Ukrainian

¹⁶⁷ Irina Orlova., *ibid.*

¹⁶⁸ Irina Orlova., *ibid.*

producers will face a greater competition from the EU and thus shows a fall in production and employment.¹⁶⁹ Therefore, Ukraine needs to prepare itself in many ways namely increasing its products' competitiveness, bringing its products to reach the EU standard and also strengthening legislature, bureaucracy, institutions in order to reap the most benefits from the EU and Ukraine FTA in near future.

V. Comparison between Ukraine and Thailand in Free Trade Agreements

In this section, the author wishes to show a comparison between Ukraine and Thailand regarding their position in free trade agreements with their trading partners and also lessons Ukraine can learn from Thailand in order to bring about the utmost benefits from the EU-Ukraine FTA which will be concluded near in the future. Thailand's free trade agreement with its trading partners can also compare to the FTA between the European Union and Ukraine in three aspects. Firstly, free trade agreements grant both countries an increase in trade with their FTA partners. As for Thailand, Thailand's free trade agreements with ASEAN, Australia and Japan has helped Thailand to expand its export markets and also enhanced a closer economic cooperation with its partners. For Ukraine, the FTA is expected to provide the same benefit that Ukraine's exportation will be increased hugely. The Ukraine's consumer market will be expanded as the FTA covers the EU single market comprising of approximately 500 people. This ensures a growth in Ukrainian trade with the European Union.

Secondly, free trade agreements are considered moderately new generation of economic cooperation for both Thailand and Ukraine. Therefore, the governments should have a great role in inserting some measures or regulations to ensure the best outcome from the FTAs. For Thailand, the major problem is the product quality and the product

¹⁶⁹ Chris Cosgrove and Mark Hellyer. Prospects for the EU-Ukraine Free Trade Agreement CTA Economic and Export Analysts, (May 2008).

competitiveness. As seen from both the TAFTA and the JTEPA, Australia and Japan considered some of Thai products “low quality or do not meet the standard requested”, for example, pesticide in fruits, vegetable, or some chemical substances in fishery products. The government, therefore, has to step in and issue some standardized regulations in each product line so that the quality will be acceptable for the trading partners. The improvement of product quality also suggests higher product competitiveness in the market. Another example from Thailand is the dairy and meat sector. These two sectors are disturbed considerably from the TAFTA mainly due to the low quality of Thai products when compared to the Australian products. In this sense, the Thai government has to improve these two sectors including through better technology, higher investment, or research and development to make these two sectors become more competitive so that they would not be harshly affected once the tariffs are completely removed. Thailand’s lack of competitiveness in dairy and meat sectors is quite similar when compared to Ukraine. Ukraine’s meat sector would probably be excluded from the free trade agreement with the European Union mainly due to the products do not meet the EU standard. Given that Ukraine has potential in meat exportation, this is mainly hindered by the lack of standardized quality requested by the European Union. The government, therefore, can play a role in improving and developing this particular sector to increase the products competitiveness so that Ukraine can reap greater benefits from the free trade agreement with the European Union.

From examples in Thailand and Ukraine, it is obvious that the government can play some roles in improving and enhancing the product quality and competitiveness which in the end will result in an increase of the country’s trade with its partners. The governments’ roles can be extended to other sectors namely logistics system, infrastructure, and other

trade related policies which will grant a better and smoother cooperation with the trading partners.

Lastly, the non-trade-related issues are relatively significant in the free trade agreements. As stated above, Thailand has endured few domestic reforms, in corruption, government transparency, intellectual property, etc. in order to conclude free trade agreements because these non-trade issues are usually pre-conditions of the FTAs. Ukraine is also expected to improve some certain domestic issues prior to the conclusion of the EU-Ukraine FTA. The major issues which are likely to be requested from the EU include protection of intellectual property rights, competition policy, public procurement, customs procedures, transparency and economic governance, etc.¹⁷⁰ If Ukraine meets these requirements, it will surely grant a smoother cooperation between the European Union and the FTA between the EU and Ukraine will come into effect earlier.

¹⁷⁰ The EU-Ukraine Free Trade Agreement (FTA)
A position paper from BUSINESSEUROPE
<http://me.kmu.gov.ua/file/link/114238/file/BUSINESSEUROPE.pdf> (Access on November 28,2008)

ABSTRACT

The Regional Trade Agreements (RTAs) and the bilateral Free Trade Agreements (FTAs) have increasingly been a new wave of international trade around the world. The countries who seek to establish these agreements, be regionally or bilaterally, realize that the trade agreements are in fact tools to increase trade with their trading partners, to extend and expand their foreign markets, as well as to encourage foreign investments but the overall goal is to strengthen economic tie with the trading partners.

Thailand is considered a young and new player in free trade agreements. Given the fact that Thai government's trade policy has been quite ambitious and proactive, Thailand has constantly attempted to establish free trade agreements with its important partners around the world. Regarding Thailand's strong support in export-oriented economy, seeking a greater access to foreign markets through free trade agreements is in fact the country's first priority.

Thailand's commitment on regional trade agreement under ASEAN Free Trade Area, and bilateral Free Trade Agreements under TAFTA and JTEPA has provided considerable benefits for Thai economy mainly through an increase in export as well as impor. Moreover, the FTAs have proved to increase competitiveness on Thai products which results in an increase of market share on the global market.

An appendix concerns the EU-Ukraine FTA. Though the FTA has not yet been concluded, the estimated outcome is fairly positive. A comparison between Ukraine and Thailand in committing to the FTAs can be drawn upon as the two share some similarities. Both Ukraine and Thailand are newly introduced to the FTAs. Both have potential to reap benefits greatly from the FTAs but are hindered by some predicaments mainly non-trade-related issues which can be fixed mainly through government support. If these obstacles are removed, it is undoubtedly that the two countries will be able to enjoy the utmost benefits from the FTAs.

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Master's Thesis Project

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Programme: IEPS (International Economic and Political Studies)

Proposed Topic:

Thailand in Regional and Bilateral Free Trade Agreements
(AFTA, TAFTA and JTEPA)

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Introduction

Thailand is situated in the South East Asia, one of the most potential regions in the world. Thai economy is considered as one of the fastest-growing economies in the region. Export is the main income of the country and it is true to say that Thailand is heavily export-dependent which accounts of almost 60% of GDP.

Regional cooperation which benefits Thai economy the most is the Association of Southeast Asian Nations or ASEAN. AFTA, as an ASEAN Free Trade Area, plays great roles in the member countries' economy. The intra-regional trade was increased as well as the member countries' exportation volume. Furthermore, in recent years, Thailand and its major trading partners have entered into agreeing on bilateral free trade agreements which resulted in growth in Thai exportation. Therefore, the paper is going to show that Thailand has considerable benefits from both ASEAN FTA and bilateral free trade agreements.

The author aims to analyze how Thailand's involvement in AFTA has affected the country in general but the focus would be emphasized on the Thai economy. The same methodology will be used to analyze the benefits Thailand receives from some of the bilateral free trade agreements, with Australia (TAFTA) and Japan (JTEPA) whose trades are significant for Thailand.

Content of the thesis:

Chapter 1: Introduction

Thailand in recent years has changed its attitudes towards regionalism and bilateralism. The policy-makers have leaned towards trade liberalization which can be understood as “seeking its own export markets” behavior. However, Thailand is only at the beginning and immature phase to deal with other major powers on trade liberalization therefore the Thai policy-makers are required to explore both benefits and disadvantages from committing in either regional cooperation or any bilateral free trade agreements. However, Thailand has proved since the economic recovery from the 1997 financial crisis that the country has enjoyed and received benefits from both regional cooperation and from bilateral free trade agreements.

Chapter 2: ASEAN FTA and Thailand

- An overview of the Association of Southeast Asian Nations which includes its background, its purposes and its roles played in the region
- The establishment of ASEAN Free Trade Area and
- Impact of AFTA on Thailand’s selected industries
- Thailand and the ASEAN member countries’ trade relations

Chapter 3: Bilateral free trade agreements with Australia (TAFTA) and Japan (JTEPA)

- The background of Thailand-Australia trade relations
- The background of Thailand-Australia Free Trade Agreement
- The impact of TAFTA on Thailand’s selected industries
- The background of Thailand-Japan trade relations
- The background of Japan-Thailand Economic Partnership Agreement (JTEPA)
- The impact of JTEPA on Thailand’s selected industries

Chapter 4: Comparison between TAFTA and JTEPA

Chapter 5: The European Union-Ukraine FTA

- The background of the European Union-Ukraine trade relations
- Assessment of FTA impact on Ukraine’s selected industries

Conclusion

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Appendix

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