

**EFFECT OF REGIONAL TRADE AGREEMENT (RTA) IN THE
ASIA-PACIFIC ECONOMIC COOPERATION (APEC) COUNTRIES:
CASE STUDY ON THAILAND**

By

Umme Rehan

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
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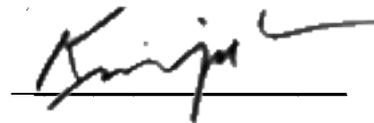
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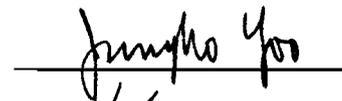
MASTER OF PUBLIC POLICY

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Abstract:

APEC “Member Economies” believe that high-quality comprehensive Regional Trade Agreements (RTA) can lead to greater trade and investment liberalization, as well as consumer welfare. APEC operates as a cooperative, multilateral, economics and trade forum. 21 “Member Economies” emphasized on the importance of “Bogor Goals” of free and open trade and investment in the Asia-Pacific region by 2010 in developed and by 2020 in developing countries. This thesis aims to shed light on which regional integration practice has the highest impact on the economic development of the APEC member countries. Using macroeconomic indicator data related to trade from WTO, IMF, UNCTAD and some earlier simulation model analysis was used to assess the impact of RTAs among the APEC member and non-member countries. Members are engaging RTAs without too much concern over whether they will benefit from that arrangement or not. This research showed that trade diversion effect in domestic industry and agricultural sector through tariff cut has not been completely offset by increase in consumer welfare, investment and trade in the Asia Pacific region. These results can inform future policy decisions. The APEC can ensure the sustainable development of member economies; establishing common market economy, ensuring free flow of factors of production including labor, gradual liberalization policy with transitional period and ensuring full participation in the multilateral negotiation in WTO.

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Dedicated all my efforts to my kids

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At first I would like to convey my devotedness to God for the successful completion of my degree. I'm also grateful to my supervisor Professor Jong Bum Kim who gave me the proper guideline for writing this paper. I'm very glad to my Thai friend Saenjai Thidarat who helped me to collect all the information about Thailand. I should mention the name of my Mongolian friend Khishigdulam Tumurbaator who inspired me to write something innovative. I'm also grateful to my mother and my husband who inspired me for my higher study. I have been separated from my babies for the last one year and it inspire me to do something better. I know my kids missed their mother's company as like as me. All my efforts are for my loving kids. I hope that they will realize my dedication to gather knowledge.

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LIST OF ABBREVIATION

	Abbreviated Word
WTO	World Trade Organization
APRC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
NAFTA	North American Free Trade Agreement
EU	European Union
GATT	General Agreement on Tariff and Trade
GATS	General Agreement on Trade in Service
TBT	Agreement on Technical Barriers to Trade
SPS	Agreement on Sanitary or Phytosanitary
ABTC	APEC Business Treble Card
RTA	Regional Trade Agreement
FTA	Free Trade Agreement
TAFTA	Thailand Australia Free Trade Agreement
TNCEP	Thailand New- Zealand Closer Economic Partnership
JTEPT	Japan and Thailand Economic Partnership Agreement
CTFTA	China Thailand Free Trade Agreement

I. Introduction:

1.1 Statement of Problem:

The Asia-Pacific Economic Cooperation (APEC) region represents the most economically dynamic region in the world. This forum was established in 1989 with the main goal to take advantage of the growing interdependence among Asia-Pacific economies, through facilitating economic growth to all the member countries. APEC has become successful in bringing sustainable development and significant increases in standards of living, over its 19 years journey, to 21 “Member Economies”, which account for over 40% of the world’s population and almost 60% GDP. This forum is committed to reducing tariffs and other non-tariff barriers of trade across the Asia-Pacific region and enhancing the trade share among the member countries.

After the successful completion of Uruguay Round, countries are entering into regional or non regional Free Trade Agreement (FTA) and Partial Free Trade Agreement (PFTA) and trying to increase their trade share in the world economy. There are strong views that the RTA and FTA will provide WTO plus treatment to the contracting parties and this bilateral negotiation will make a broad path to reach multilateral negotiation of WTO. In contrast there is a divergent view that the RTA and FTA undermine multilateral negotiations. Jagdish Bhagwati states that preferential trading agreements and relationships create enormous complexity in the world trading system, which he refers to as the “spaghetti bowl” problem¹.

The empirical evidence states that RTA among APEC countries attracts inflows and outflows investment. In 1995, APEC account for US\$ 159 billion world outflows (50% of FDI) and US\$ 171 billion world inflows (54% world inflows)². The “*Bogor Declaration*” and “*Manila Action Plan*” integrated its members for trade liberalization, economic and technical cooperation,

to reduce the economic disparity among the region (Implications of the APEC process, 91)³. Thailand is not only an active member of the WTO, but also one of the founder members of the Association of South East Asian Nations (ASEAN) and the Asia Pacific Economic Cooperation (APEC). It hosted APEC in 2003 and began an 18 month term as chair of ASEAN in July 2008. Thailand has been pursuing a range of bilateral free-trade or similar agreements, and is currently involved in negotiations on the Australia-ASEAN-New Zealand FTA (AANZFTA).

1.2 Purpose of study:

RTA negotiation has been dramatically increased in the Asia-Pacific region through this bilateral trade relation countries are reducing their tariff and non-tariff barriers for goods and services, which makes this region more attractive to the investors. The United States, European Union, China and Japan are looking towards this economy. By this trade creation both developed (Australia, New Zealand, Canada, and USA) and developing (Singapore, Thailand, Vietnam, China) countries are benefited and total welfare increases. This paper will not cover the whole economy of APEC countries only the impacts of Regional Trade Arrangements (RTAs) on their trade and economy. Thailand is chosen for empirical study, as it is one of the fastest growing economies in the East Asian countries. Moreover this study will work out on whether these Regional Trade Arrangements really increase the trade creation, investment and consumer welfare of APEC countries, and if so, what is the reason behind this?

1.3 Research Hypothesis:

Do these FTA and RTA increase consumer welfare, investment and trade in the Asia Pacific region? Do these Regional Trade Arrangements (RTAs) facilitate Thailand to remove tariff and non-tariff barriers more than WTO? Do these bilateral negotiations expand the economic growth and bargaining capacity of Thailand? Do they have capacity of trade creation

more than trade diversion? Do these RTA provide a positive impact for the faster growing export in Thailand? Will these Regional Trade Arrangements (RTAs) make a smooth path for multilateral negotiation or will they undermine the WTO's multilateral negotiation?

1.4 Limitations / delimitations:

There are various socio-economic activities which formulate the development and welfare of a country. This paper has limited its research on trade liberalization and its impact on inward and outward investment (FDI) in Thailand. Through RTA negotiation Thailand has liberalized its trade policy and reduced tariff and non-tariff barriers that increases the domestic market competition, improve the production efficiency and promote consumer welfare. This paper will not go through the interview process for primary data collection and research will be based on the statistical published data. There is lot of issues regarding Regional Trade Arrangements (RTAs) like environmental issues, labor issues but this paper will mostly concentrate on the economic impact and welfare economics.

1.5 Abbreviated explanation of methods:

My hypothesis will be based on an analysis on the basis of several bilateral treaties of Thailand, with other APEC countries, like Japan Thailand Economic Partnership Agreement (JTEPA), Thailand Australia Free Trade Agreement (TAFTA) and Thailand New Zealand Closer Economic Partnership (TNZCEP) and their impact on the Thai economy. Trade liberalization and investment promotion policies of Thailand will be another area of attention. As there is no scope to work on primary data, this study will be based on secondary sources of quantitative data, such as Joint Commission Reports, some research papers, statistical data and journal reports, rules and regulation of multilateral trade negotiation of WTO, important writings of some

dynamic thinkers. Moreover statistical data will be analysis to focus on the impact of these treaties.

1.6 Abbreviated explanation of results:

Thailand is one of the faster growing countries in South East Asia and it has 39 Investment Promotion and Protection Agreements with other economies and 33 of them have already entered into force. As a result of these RTA there are some trade creation and investment which affect the welfare of its economy. Service sectors contribute its 60% of GDP and in some sectors it allows 100% foreign ownership. APEC Business Travel Card (ABTC), One Stop Service Center for visa and investment and tax remedy attracts FDI in Thailand. Moreover, it works as hub a country, as it is member many economic development forum like Asia Pacific Economic Cooperation (APEC), Association of South East Asian Nation (ASEAN). Even though investment massively increases in industrial and service sector but agricultural sectors growth rate is not that much and sometimes exclusion effect in this sector. In all aspect welfare gain of Thailand is much higher and increases it bargaining power with the other powerhouse economy.

1.7 Conclusion:

After the East Asian economic crisis in 1997, the Thai economy has continued to improve well since 2003 despite external uncertainties and shock. Thailand is 25th and 24th position in the world exports and imports ranking respectively in the year 2006. The key drivers have been the strong performance of export and private consumption. This result makes clear conception of increase in consumer welfare and economic development. Thai real GDP growth in 2007 was 4.7%, driven mostly by a strong export sector, despite continuing appreciation of the baht against the US dollar.

Over 1990s Thai FDI increased gradually (except economic crisis in East Asia 1997) but investment growth rate fell 1.3% in 2007 (from 3.8% in 2006) and consumption growth rate fell to 1.9% (from 3.2% in 2006)⁴. This reduction is due to the political uncertainty in Thailand since, September 2006. Meanwhile investment has rebounded dramatically in Philippines, Singapore, which indicates RTA among Asia-Pacific Economic Cooperation (APEC) countries, increases their economic growth rate, investment as well as welfare of the economy. The Bank of Thailand, the Thai Finance Ministry and the Thai National Economic and Social Development Board have estimated that real GDP growth in 2008 will be 4.5% to 5.5%. This statement implies, Thai political government has recovered entire situation and from now Thai economy will run smoothly.

Like other South East Asian countries inflation rate fell in Thailand. The Dollar's weakness in the world economy makes imports cheaper and exports expensive, which creates growth in fiscal balance (-0.6% of GDP in 2005 and 1.1% of GDP in 2006)⁵. Most of the free trade agreements signed by APEC countries were notified by Secretariat of WTO, so it reduces the possibility of further dispute. Moreover early liberalization will make the country competent to compete in the world economy and further multilateral negotiation in WTO.

This paper is not only theory-based but also an analysis of the statistical data, empirical evidence, policy and regulation. Some economic models which were used in the joint investigation committee and individual research on the benefit of various treaties will also be referred here the paper (APG-Cubed economic model used by Center for International Economics). For a better understanding, sector wise, discussion and analysis is required, especially the impact on the agricultural sector will not be broadly discussed in this paper. The Agricultural sector is still an important sector for Thai economy and impact of RTA of this sector

should be analyzed on the basis of proper evidence.

CHAPTER 2

LITERATURE REVIEW:

2.1. Background

(a) APEC a New Economic Arena:

The Asia-Pacific Economic Cooperation (APEC) operates as a cooperative, multilateral economic and trade forum. It is unique because it represents the only inter-governmental grouping in the world committed to reducing trade barriers and increasing investments, without requiring its members to enter into legally binding obligations. The forum succeeds by promoting dialogue and equal respect for the views of all participants and making decisions based on consensus to achieve its free and open trade and investment goals. APEC Member Economies take “Individual Action Plans” (IAP) and “Collective Action Plans” (CAP) to open their markets and promote economic growth⁶. The APEC region has consistently been the most economically dynamic part of the world since 1989. In the first decade of its birth, APEC member economies generated 70% global economic growth, even with the economic crisis in East Asia region in 1997⁷. In 19th APEC ministerial meeting leaders of member economies has declared their commitment to examine the options and prospects for a Free Trade Area of the Asia-Pacific (FTAAP) from the viewpoint of practical and incremental steps⁸.

APEC Member Economies are working together to sustain this economic growth through a commitment to open trade, investment and economic reform. By progressively reducing tariffs and other barriers to trade, Member Economies have become more efficient and their exports have expanded dramatically. APEC works in three broad areas to meet the Bogor Goals of free and open trade and investment in the Asia-Pacific by 2010, for developed economies, and 2020 for developing economies, which are known as “APEC's Three Pillars”. These focused areas are:

(1) trade and investment liberalization, (2) business facilitation, and (3) economic and technical cooperation which enable the Member Economies to strengthen their economies by pooling resources within the region and achieving efficiencies. Tangible benefits are also delivered to consumers in the APEC region through increased training and employment opportunities, greater choices in the marketplace, cheaper goods and services and improved access to international markets.

Moreover, APEC also considers human security, because it is essential for economic growth and prosperity of the people of this region. Member economies are committed to work voluntarily to protect against natural disasters, transnational terrorism, pandemics, illicit drugs, contaminated products, WMD proliferation, infectious diseases, and achieve the food defense principle. Through its almost 19 years journey, APEC has been successful in bringing the sustainable development and significant increases in standards of living individuals.

2.2 Theoretical Background:

(a) Role of APEC

“The Bogor Declaration” was the turnover point for APEC, because it allowed the leaders to agree to a common goal of free and open trade and investment in the Asia-Pacific by 2010 for industrialized economies, and 2020 for developing economies. “Bogor Declaration” became one more step ahead and more specifically an action agenda after the Ministerial Meeting in Osaka, Japan, in November 1995⁹. Within the year from 2001 and 2006 business transaction costs reduced by 5% and with a further aim to cut by a further 5% by 2010.

APEC is now working to create an environment to ensure the safe, secured and efficient movement of goods, services and people across borders within the region. APEC believes in democratic structure, which is reflected in its decision- making procedures, as decisions are

taken on the basis of consensus. APEC goals and priorities are set up at the annual meeting. Each country has to present an annual planning report about their present structure and future target to liberalize their trade policy and reduce their tariff and non-tariff barriers. In APEC actual policy decisions are based on consensus and these joint resolutions will be implemented by individual governments, with relating their domestic policy formation (Implications 1998, page 51).

APEC Member Economics strongly believe that, this forum can play the leading role in meeting all these above mentioned challenges. This forum will continue its works to achieve its goal through removing infrastructure bottlenecks, non-tariff restrictions and restrictions on competition in domestic service sectors. Opening the services sectors and capacity facilitates for the investment expansion will help to achieve sustainable development. For this reason an overwhelming majority of the member countries are engaging in various inter-regional agreements such as The Thailand Australia Free Trade Agreement (TAFTA), The Thailand New Zealand Closer Economic Partnership (TNCEP), The Singapore US Free Trade Agreement (SUFTA), The Australia US Free Trade Agreement (AUFTA), and The China Thailand Free Trade Agreement (CTFTA). APEC leader's dream is to promote further economic integration in the Asia-Pacific and to continue it towards a free trade area of the Asia-Pacific in the long run.

There is a controversy whether the international or interregional trading system is better off with APEC. The answer is very diplomatic, and will depend upon the achievement of "*Bogor Declarations*". If we analyze the trade flows among its members and with the non-members we will find that trade in goods and services is growing faster. Actually the "*Manila Action Plan for APEC*" (MAPA) provides a first glimpse of the map towards the long- term goal set out in Bogor (Implications of APEC 1998, page 91). MAPA comprises a set of voluntary and unilateral initiatives, as well as collective initiatives on trade and investment liberalization and facilitation.

Another important pillar of APEC is not only the liberalization, but liberalization in a process that would reduce the economic disparity between the economies in the region.

APEC members have been lowering tariffs and non-tariff barriers on the basis of their Independent Action Plan (IAP) and Collective Action Plan (CAP). As a result of which average (unweighted) tariffs level reduces from 15.4% to 9.1% from 1988 to 1996. In the case of Thailand (40.8% to 17%) and China (40.3% to 23%) tariff reduces sharply. APEC, as a whole, reduces the non-tariff barriers from 9% to 5% during the same period, especially in Australia, Chile, New Zealand and Singapore leading the decline in non-tariff barriers in trade¹⁰ (Implications of APEC, page 93) (Appendix table 1). Actually, the inter-regional free trade agreement helps the APEC countries to liberalize their tariff and non-tariff barriers and makes them more efficient in the competing economies as well as increase the bargaining power in multilateral negotiations. Under comprehensive agricultural trade liberalization global welfare gains exceeded \$23 billion US dollar in the short run and \$37 billion US dollar in the long run. These gains accounted for the developing region are \$3.3 and \$3.5 billion US dollar in short run and long run respectively¹¹.

The major achievement of Uruguay Round was removal and reduction of subsidies and export restraints, like removal of voluntary export restraints and orderly market arrangements by 1999, removal of domestic support and export subsidies in agriculture, and pushing out quotas on textiles and garments sectors. APEC members also reinforced this trade liberalization through individual and collective action plans. The Manila Action Plan for APEC (MAPA) mainly highlighted on tariff and non-tariff barriers, which has to have liberalization in both sectors according to each members' own effort and Uruguay Round commitments. APEC economies

have committed to review existing non-tariff barriers with a view to reducing or eliminating those which are not consistent with the WTO measures.

2.3. Synthesis of the Other Research:

(a) Regionalism Versus Multilateralism: New World Regionalism

In the contemporary world trading system, regional integration arrangements (RTAs) are a major force. All most all the members of WTO have already entered into an RTA. In fact, half of the international trade takes place within actual or prospective RTAs. RTAs and FTAs are now the economic future, so it is necessary to evaluate its impact on the multilateral negotiation process. At present the world economy appears to be the process of disintegrating into three major trading blocs, The European Union (EU), North American Free Trade Area (NAFTA), and Asia Pacific Economic Cooperation (APEC) with Association of South East Asian Nations (ASEAN). These economic blocs have patronage through the four big economies; USA, European Union (EU), Japan and emerging China.

Schott suggest that for successful trading blocs there are four necessary characteristics: first geographical proximity second similar level of per capita income third compatible trading regimes, and finally political commitment to regional organization (Scott, 1991). In all context, the EU exhibits all of the characteristics as its members are in the same geographical proximity, per capita income are similar, in addition to members hold a strong political commitment. However, the other two blocs do not have all the characteristics. Consequently, disparity among the member countries in terms of per capita income and geographical distance among the member economies of APEC somehow obstacles for their political commitment.

In the course of the geographical closeness and strong political commitment, EU become much independent and it does not have to depend upon the WTO. As the Free Trade Agreement

(FTA) and Customs Unions (CU) internalize market access benefits more directly than a multilateral arrangement, member countries need not to rely heavily on WTO procedures. Sapir noted that the Hungarian authorities appeared to pay more attention to EU disciplines than multilateral disciplines in developing trade policy in early 1990s (Sapir, 1995)¹². Due to domino regionalism RTA imposes production cost and reduces the welfare on non-member countries. Non-member countries have to face higher tariff (not above MFN level) and non-tariff barrier, than the member country which enables them to enter into new regional arrangement.

There is a clear conflict between regionalism and multilateral trade negotiations. There are arguments on both sides of debate about whether regionalism encourages multilateralism. Regional approach viewers argue that regional arrangement of liberalization makes it easier to handle the tough cases. On the contrary, multilateral approach viewers argue that regionalism narrow down the theme “substantially all trade” and “other respective regulations on commerce” of GATT Article XXIV. Hoekman and Leidy argued that Regional Trade Arrangement (RTA) does not cover substantially all trade, agriculture textiles and some other sensitive sector remain restricted, and it does not provide to a great extent advance with further liberalization than the multilateral system (Hoekman and Leidy 1993). Another version of the argument is that major powers might use RTAs to reinforce their own positions in a future multilateral negotiation in WTO.

(b) APEC and RTAs/ FTAs Theme:

Regional Trade Arrangements (RTAs) and Free Trade Agreement (FTA) has become a fundamental issue for APEC countries. Member Economies started their journey in 1989 and from that time they setup some mile stones to achieve their sustainable development. APEC leaders believe that, RTAs maximized the contribution of these agreements to APEC wide

progress towards the Bogor Goals. Ministers agreed that APEC would develop a comprehensive model measures on commonly accepted RTA chapters by 2008, which will help them to negotiate further economic integration in this area, for trade facilitation and diversification of APEC economies¹³. They agreed with that this would be a valuable contribution to maintaining consistency and coherence across RTAs in the region.

From this point of view APEC Economic Leaders have declared the theme in the 13th APEC Ministerial Meeting in Busan, Korea 2005: "Towards One Community: Meet the Challenge, Make the Change." They reaffirmed their commitment to achieving trade and investment liberalization and facilitation in the APEC region by 2010 and 2020, and resolved to continually push it forward in this regard¹⁴.

Beside this, APEC emphasized on the importance of Bogor Goals of free and open trade and investment in the Asia-Pacific region, and its proper implementation depend upon the individually and collectively commitments. Individual Action Plans (IAPs) and Collective Action Planes (CAPs) are two important milestones for reaching the Bogor Goals. In addition, investment liberalization is also an important issue for further economic integration. All these issues were discussed in several forum of APEC (Tokyo, Japan and Busan, Korea) and on the basis of the present need of member economies, Committee on Trade and Investment (CTI) was endorsed in 2005 17th APEC Ministerial Meeting. CTI will prepare an annual report focusing on IAPs and CAPs, investment, custom procedures, business mobility, standard and conformance, private sector development for advancing the trade and investment liberalization and facilitation in APEC member economies. APEC Ministerial Meeting will take next plane of action on the basis of CTIs' annual report.

I do agree with all the initiatives of APEC for trade and investment liberalization as a pathfinder to achieve the dynamic sustainable development and Prosperity. IAPs and CAPs for collective investment decisions, economic and technical cooperation are essential for high quality RTAs negotiation. This is the prior condition for achieving Bogor Goal. As member countries are engaging RTAs without proper calculating the benefit of agreement that creates twists among their rules and regulations and drives out the trade creation effects for some economy. Consequently to achieve the sustainable development and prosperity in this region there need to be collective commitment and acceptable framework for negotiating RTAs.

(c). ASEAN Integration and New Dimension:

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 in Bangkok by the five original Member Countries, namely, Indonesia, Malaysia, Philippines, Singapore, and Thailand. After accession of Cambodia on 30 April 1999 it becomes 10 members association. The purposes of the ASEAN are: to accelerate economic growth, social progress and cultural development in the region promote regional peace and stability, and prosperity through abiding respect for justice and the rule of law. This economy has contributed \$1,100 billion and \$1,400 billion US dollar in gross domestic product and world trade, respectively, in 2006. The Association of Southeast Asian Nations (ASIAN) and Asia Pacific Economic Cooperation (APEC) has close relation in terms of strategic point of view, as out of 21 member economies of APEC five are founder members (Indonesia, Malaysia, Philippines, Singapore, and Thailand) of ASEAN.

This forum fulfilled almost all the basic principles of successful trading blocs: geographical proximity, similar level of per capita income, compatible trading regimes and political commitment to regional organization. To resolve political differences among the

members and other countries ASEAN leaders have negotiated South China Sea Problem, East Timor independence, counter-terrorism, regional security issues. It becomes an attractive sector of investment, which induced robust GDP growth rate of ASEAN countries in 2007. In Cambodia and the Lao People's Democratic Republic, GDP grows by 8.5% and 7.4%, consequently¹⁵. Geographical closeness of ASEAN countries has expedited its integrity and prosperity.

Recent report shows that ASEAN nations have been unable to attract more FDI. There are two competing explanations: one explanation suggests that the deep institutional fragility, highlighted by the Asian Crisis, has not since improved measurably and other competing explanation argues that investors are interest in China that diverted funds away from ASEAN economies. For instance, FDI received in R&D projects in South, East, and South-East Asian countries, four fifth of them located in China and India in 2005. The immense Chinese market is by means of the stability of the Chinese government, and the willingness of the government to develop their economic infrastructure. This infrastructural development, fundamental administrative reform induces the firms to invest in China, rather expanding their operations in Thailand, Indonesia or other ASEAN countries (Kwan, 2005 page-35)¹⁶. For example Toyota established Technical Center Asia Pacific in Thailand in 2005 and it extended its R&D (Research & Development) centre in Tianjin, China¹⁷. Chantasawat opposes this kind of positive relation between FDI crisis in ASEAN countries and FDI expansion in China. However large numbers of investors are investing in China and it drives away the investment in ASEAN and other APEC countries in Asia. This inability of ASEAN to attract FDI flows become great concern to the ASEAN policymakers. Policymaker realizes that technological transfer, stable capital flows, institutional credibility, and human resource development can only ensure potential FDI.

To resolve the crisis of capital flows in ASEAN countries, leaders have focused on real integration through RTAs, with the other NICs like Korea, emerging China and India, stable economy like Japan, EU, USA, New Zealand, and Australia. From the experience of Asian economic crisis in 1997-98 ASEAN policymaker has raised two kinds of awareness. Firstly countries needed to strengthen their domestic financial sectors in order to handle the absorption of sudden capital crisis and needs to develop the institutional capacity to contain cross-country contagion and solve the common financial problems of the countries. Financial integration will provide more scope, regional cooperation, and integrations. From 1999-2003 regional integration results large share of FDI inflows from China, USA and EU consisted second and Japan consists third largest share of FDI. Those countries have skilled human resources and strong institutional structural base can influence on that FDI inflows, like Singapore and Malaysia.

Regional integration in East Asia has intensified recently, in East Asian that reflects a desire to strengthen economic cooperation among the countries after the economic crisis in 1997/98. ASEAN leaders predicted, this integration may increase the bargaining power in multilateral negotiations with the NAFTA and EU blocs. From the ASEAN perspective ASEAN Free Trade Area (AFTA) in 1992 was challenging initiative for this region. AFTAs aim is lowering the tariff rates to zero by 2010 for ASEAN+6 and by 2015 CLMV. ASEAN has recently expanded its regional integration effort through the ASEAN-China FTA, the ASEAN-Korea FTA, and ASEAN-Japan Comprehensive Economic Partnership Agreement. These bilateral agreements in future could consolidate into an ASEAN+3 wide RTA. A more ambitious proposal is to expand ASEAN+3 to Australia, India and New Zealand to form an ASEAN+6 RTA¹⁸. These regional integrations may also offset the welfare gain through trade diversion (Viner, 1950). ESCAP simulation for ASEAN+3 and ASEAN+6, suggesting that trade-creation

gain outweigh trade-diversion losses¹⁹. From this strategic view, it seems that ASEAN wants to get benefit as hub economy and resolve their economic uncertainty through cooperation of the member countries.

East Asian trade is characteristically open and global. Table-1 below shows the regional countries' average trade share for the period 2001 to 2003. Even though all East-Asian countries have large trade volumes with the EU and the U.S., intraregional trade within ASEAN+3 is significant. With China's rapidly expanding economy still in its early stages, intra-Asian trade can be expected to drive the future growth of ASEAN economies. However, much of this intra-trade is still dependent on final demand in the US and Europe rather than in Asia. Table 1 also highlights the lack of substantial intraregional trade within ASEAN countries itself²⁰.

Country	BRN	CAM	CHN	HKK	IND	JPN	KOR	LAO	MLY	MYN	PHL	SIN	THL	VNM
Japan	32.6	2.9	16.5	8.7	19.4		14.7	2.3	14.1	4.6	17.5	10.5	19.2	13.8
Korea	9.1	3.0	7.2	3.4	6.4	6.0		0.5	4.1	4.8	5.6	3.9	2.8	7.2
China	4.5	6.2		41.7	6.0	13.3	13.1	6.4	6.5	15.7	5.1	6.4	6.3	9.8
Hong Kong	1.2	8.9	11.8		1.7	3.5	3.7	0.6	3.8	1.7	5.3	6.0	3.4	3.0
Brunei		0.0	0.0	0.0	0.1	0.2	0.2	0.0	0.2	0.0	0.0	0.3	0.3	0.0
Cambodia	0.0		0.0	0.1	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.4	0.6
Indonesia	1.6	2.0	1.3	0.6		2.8	2.3	0.2	2.1	1.4	1.3	3.6	2.4	1.9
Lao	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.4	0.4
Malaysia	5.8	2.2	2.1	1.7	3.5	3.0	2.4	0.3		6.1	4.0	17.1	5.0	2.6
Myanmar	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.2		0.0	0.2	0.8	0.0
Philippines	0.4	0.2	0.9	1.2	1.1	1.9	1.5	0.0	2.1	0.1		2.3	1.8	1.2
Singapore	12.8	7.9	2.3	3.4	10.4	2.5	2.6	2.5	16.9	11.7	6.8		6.3	9.8
Thailand	7.7	12.3	1.4	1.4	2.8	3.1	1.2	46.9	3.9	21.7	3.2	4.4		3.5
Vietnam	0.0	5.5	0.5	0.2	0.8	0.6	0.8	12.3	0.6	0.2	0.5	1.2	0.9	
ASEAN	28.3	30.1	8.7	8.6	18.8	14.3	11.0	62.3	26.0	41.2	15.7	29.3	18.4	20.2
ASEAN+3	74.5	42.3	32.4	62.5	50.6	33.5	38.8	71.5	50.6	66.3	43.9	50.2	46.6	51.1
APEC	92.0	82.1	64.7	78.2	69.5	67.3	66.6	74.6	75.7	76.1	74.3	74.1	67.3	67.9
CER	7.4	0.2	1.9	1.1	4.3	3.4	2.9	0.9	2.4	0.6	1.7	2.6	2.6	4.5
E.U.	6.8	12.4	14.6	11.2	13.1	14.2	12.0	12.9	12.2	8.1	12.7	12.6	13.2	14.4
US	8.3	27.0	15.4	13.2	11.6	23.1	17.5	0.7	17.7	6.6	21.8	15.0	14.7	8.4
NAFTA	8.3	27.7	17.3	14.5	12.8	25.6	19.7	0.9	19.1	7.2	23.2	15.8	16.0	9.1

Notes: Table reads as follows:

total trade share of a country in the left hand column with a partner country in the top row

e.g: starting top left - Brunei's exports to and from Japan as percentage of Brunei's total trade

Source: IMF, Direction of Trade Statistics, 2004.

(Cross Country Trade shares 2001-2003)

Six founder member of ASEAN are also active members of APEC, and these members' economies are engaging regional and cross-regional partnership. Among them, Singapore and Thailand is the most active member. In comparison to other members, Singapore has signed an FTA with USA (2004), Japan, Australia, India, Mexico, and negotiating FTA with Canada, Korea, and EU. Consequently, Thailand has engaged RTAs with China (2003), New Zealand, Australia, Japan and Singapore and enthusiastically negotiating RTAs with EU, USA, India and Peru. The main difference between ASEAN and APEC forum is that ASEAN is more concentrated economically than APEC from its strategy and mission.

(d) Role of Japan and USA in the APEC economy:

Both Japan and USA has become a big factor in the case of trading blocs in APEC, especially in the East Asian bloc and broad-based Pacific Basin Blocs²¹. With the emergence of Japan as a pacific economic power, industrial development of East Asian NICs (Newly Industrialized Countries) and also the appearance of sparkling China has totally changed the economic climate of Pacific Basin Bloc. Japan has appeared as an RTA bandwagon for the last two years. Japan has expanded its economic ties with Asian neighbors like Singapore, Malaysia, Philippines, Thailand, Brunei, and ASEAN; it also extended its relation with other South and North American APEC countries like Chile, Canada, Mexico and USA. At the same time USA also has FTA with Korea, Singapore, Australia and Vietnam. Both Japan and USA are major trading partners for all Asian countries in the pacific. Massive trade surpluses for Japan and deficits for USA has turned Japan into a creditor and USA into a net debtor which began the "US-Japan economic problem" and affect the economic integrity of APEC countries (Jong H. Park).

After 1990s Japan has substantially increased its FDA (Foreign Direct Investment) and ODA (Official Development Assistant) to the Asian Pacific Countries. For ASEAN countries 55% of ODA comes from Japan, 11% from US, and 10% from other international organization²². Japanese ODA is mostly non-commercial basis, whereas the US has extended its assistant to strategically important area like South Korea and Singapore. Through the expansion of Japanese aid in the Pacific Asia region will create Japan's economic collation that excludes USA from this region. This conflict and complex relationship between Japan and USA hinders the APECs goal. Keause express this complicated relationship between the United Stated and Japan as a "contentious marriage". Mutual presence and collective leadership of USA and Japan in Pacific Asian region will strengthen the APEC activities as well as increase the economic share in the world economy.

2.4. Critical Analysis and Conclusion:

The evidence indicates that the member economies of the APEC countries are engaging in excessive regional arrangements with their member and non-member countries, without thinking about the positive benefits. The APEC member economies should be focused on the quality of a treaty, rather than its quantities. As qualitative treaties increase the trade volume and bring the consumer welfare and sustainable development for both member countries, whereas less quality treaty undermines partner countries benefits from the treaty. Some of the treaties are politically biased, which imposes small economies like, Thailand, Indonesia, and Chile to adopt sharp liberalization policies without any transition period. This can be counterproductive to their domestic policies. For example the China Thailand Free Trade Agreement (CTFTA) includes early harvest program on vegetables and fruits, which derives out the Thai farmers out of their domestic market. This sharp liberalization can drastically affect their infant industries and the

balance of payment leading to an unexpected economic crisis like Asian economic crisis in 1997/98. For instance Kasetsart Universities study on "Thai-Chinese FTA: Impacts of Thai Society" showed Thai domestic garlic production has declined sharply due to the low market price of Chinese product.

Borrowing the expression from the Director-General of the WTO, Pascal Lamy, I will say, pepper (Regional Trade Agreements) adds taste to your curry (Multilateral Negotiation), but too much pepper may make the curry bitter²³. Now it is the time for the APEC countries to think about the quality of RTAs, as only the high-quality comprehensive regional trade agreements can lead to greater trade and investment liberalization as well as consumer welfare.

The Committee on Trade and Investment (CTI) of APEC should work rigorously to find out the fields of comparative advantages of its member economies and take a collective decision for the investment in that respective fields, only in the specialized economies, as it is common knowledge, that specialization can bring sustainable development over and above consumer welfare. Furthermore "The US-Japan economic problem" due to the trade deficit should come to an end and their mutual presence and collective decisions can bring the bigger prospects for the APEC economy. To make APEC more active both the power economy should work together with the cooperation of other emerging member economies and build strong economic integrations through framing a common market like EU. The forum can play additionally an active and powerful role in the future multilateral negotiation of WTO.

For a clear conception of the above mentioned dilemma, I will concentrate on the discussion of some Regional Trade Agreements (RTA) of Thailand with APEC some countries and also the trade liberalization procedures of Thai economy to analyze the effects of RTAs on Thai and other APEC Member Economies in chapter three. Thailand act as a hub country with

other stronger economies, like China, Japan, Australia, New Zealand, through various trade agreements as a member of both ASEAN and APEC. Closer Economic Partnership helps Thailand to liberalize its trade and investment; this makes the Thai economy more capable in the world economy, and consequently helps the Thai economy to absorb the economic shock and attracts the FDI.

Additionally, this research will work as a pathfinder to fulfill the commitment of APEC and reduce all kinds of disparity among the Member Economies. The statistical data and Macroeconomic Model analysis regarding this field will prove its authenticity. Likewise this research will also focus on the trade deficit problem between Japan and United States. I will also spotlight on how the qualitative RTA changes to the socio economic structure of a country. This paper will make the sense to the reader that even though “The North South Dialogue” has not been successful, there remains a better opportunity to achieve the sustainable development. Active APEC forum will be capable to reduce the inequality among the developed and developing countries of North and South region of the world.

CHAPTER 3

ECONOMIC STRUCTURE AND INTER REGIONAL TREATY OF THAILAND:

3.1 Prospects of Thai Economy

Thailand is a founder member of The Association of Southeast Asian Nations (ASEAN, 1967), Asia Pacific Economic Cooperation (APEC, 1989) and also active member in Corns Groups of WTO. Thailand hosted APEC in 2003 and began an 18-month term as chair of ASEAN in July 2008. Thailand has been pursuing a range of bilateral free-trade or similar agreements, and is currently involved in negotiations on the Australia-ASEAN-New Zealand FTA (AANZFTA). It has bilateral security and commercial agreements and a long-standing defense relationship with the United States. The United States is Thailand's major trading partner (15% exports to USA in 2006)²⁴ although Japan is the single largest investor in Thailand. At the same time it follows The One China policy, as well as strong trade, investment and labor links with Taiwan. Thailand has substantial and growing economic links with Australia, New Zealand and European Union, including significant investment.

(a). Economic condition

Thailand's real GDP growth in 2007 was 4.7% driven mostly by a strong export sector, despite continuing appreciation of the baht against the US dollar. The Bank of Thailand, the Thai Finance Ministry and the Thai National Economic and Social Development Board have estimated that real GDP growth in 2008 will be 4.5% to 5.5%. Annual headline inflation as of July 2008 was 9.2%. Foreign Direct Investment in Thailand has increased gradually due to its trade policy liberalization and several incentive packages to investors, specifically in the service sectors. In 2006 total FDI was 68,058 million US\$ which is 33% of its GDP and it is the second largest FDI flows among South-East Asian countries after Singapore²⁵.

(b). Measures for Investment flows:

For strengthening investment relations with other countries, Thailand continuously pursues efforts in concluding Investment Promotion and Protection Agreements. Thailand has signed 39 Investment Promotion and Protection Agreements with other economies and 33 of them have already entered into force. Thailand is also a contracting party to the framework on ASEAN Investment Area Agreement. Among APEC members, Thailand has Agreements for the Promotion and Protection of Investments with Canada, China, Chinese Taipei, Indonesia, Peru, Philippines, South Korea, Vietnam, ASEAN and Russia.

Thailand has implemented The ASEAN Harmonized Tariff Nomenclature in accordance with Harmonized System (HS) 2007 since January 2007. It is also providing Intellectual Property Rights (IPR), risk management for trading system, E-Customs systems (Paperless) for the Express Consignment Clearance categories 4 in 2007. In terms of transparency, the Office Bureau of Investment (BOI) has improved its website and information of investment in Thailand is available in 6 languages (Thai, English, French, Japanese, German and Chinese).

Thailand has been efficient in issuing APEC Business Travel Cards (ABTC) to Thai business persons since 2002 with the collaboration of The Ministry of Foreign Affairs and the Joint Standing Committee on Industry, Commerce and Banking. By November it has already issued over 1300 ABTCs. The Thai government has been providing “One-Stop Service Center” for Visas and Work Permits since 1997 and now authority has extended to provide this facility within 3 hours that represents strong administrative reform in Thailand.

The Thai Government has developed procurement website which contains information such as procurement opportunities, contracts awarded, and blacklists of suppliers, which improves the transparency of the government. It has also developed websites for e-Commerce

entrepreneurs, e-revenue web services and websites for their businesses and promoted export software for entrepreneurs, which provide automatic information sharing service with the stakeholders using web services technology²⁶.

The government Thailand has introduced “The Foreign Business Act B.E. 2542 (1999)” which replaces the Alien Business Law of 1972 and it has come into force March 2000. The Infrastructure in some rural areas of Thailand is not well developed. To promote decentralization of industrial activities from Bangkok, The Office Bureau of Investment (BOI) has divided the country into three Zones based on economic factors and the Thai government, and then has to encourage the investors to locate in these areas by providing them special incentives. The Bank of Thailand has considerably liberalized capital transfer of foreign investors. Foreign investors can bring in capital to invest in Thailand without any restrictions.

Thailand has adopted dispute settlement mechanism, as embodied in the Bilateral Investment Treaties (BITs) with other economies including ASEAN Investment Area Agreement. Thailand has allowed international arbitration as a dispute settlement mechanism, including in many instances accordance with the International Convention on the Settlement of Investment Dispute between States and Nationals of other States. (ICSID Convention) in addition it allows to traditional local remedy under the judicial system²⁷.

3.2 Thailand Australia Free Trade Agreement:

Introduction

Australia and Thailand successfully concluded negotiations on a free trade agreement (FTA) in October 2003. The Australia–Thailand Free Trade Agreement (TAFTA) is Australia’s third FTA, while it is Thailand’s first comprehensive FTA first with a developed country. This FTA between Australia and Thailand represents a continuation of previous efforts, as both

countries are negotiating towards more open and regulated economies. From the global economic perspective, Thailand has become an important issue for Australian goods and services. Thailand-Australia Free Trade Agreement (TAFTA) entered into force on 1 January 2005. Through this FTA, opportunities are also opening in Thailand for Australian service providers, investors, and manufacturers.

(a) Historical background:

The chronological relationship between Australian and Thai government compelled them to negotiate for deeper economic and development relationship. The two Prime Ministers John Howard and Thaksin Sinawatra, announced the deal on 19th October, 2003 after more than a year of negotiations. The Agreement was formally signed by the two countries on 5th July 2004 and come into force on January 2005. From its formation this agreement is a WTO plus agreement, as both countries committed liberalization of trade and services more than MFN tariff base. The parties notified the TAFTA on goods and services under GATT Article V: 7(a) and GATS Article V: 7(a) respectively on 5th January 2005²⁸.

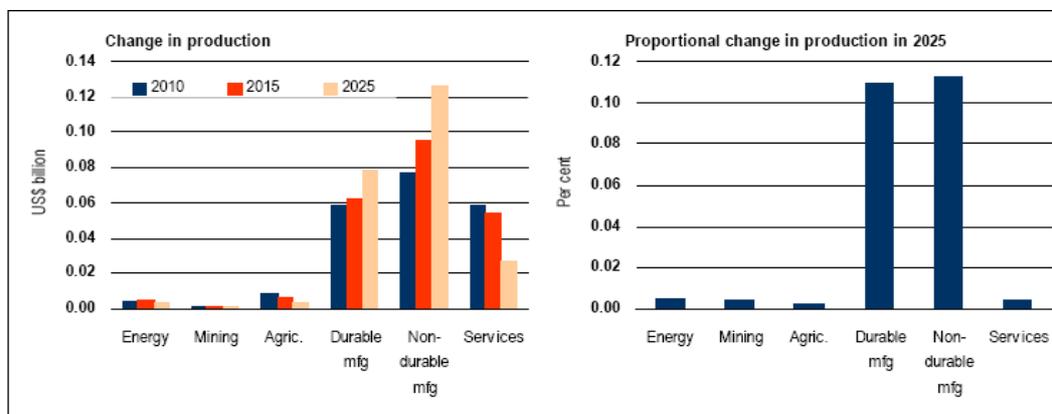
This agreement will deliver a new investment opportunities and an improved climate for commercial exchanges for both the partner countries. Thailand and Australia both is active member of APEC. Both countries are committed to achieve Bogor Goal. Given the recent uncertainty surrounding future rounds of the WTO, we are not in a position to speculate about further trade liberalization on a MFN basis. The APEC liberalizations announced under the Bogor Declaration are voluntary and do not have the legal force that MFN tariff reductions have as agreed and signed under the Uruguay Round of the GATT.

(b) Feasibility Study by Center for International Economics

The Australian Centre for International Economics use APG-Cubed economic model to analyze the implications of this agreement, where change in real consumption is used as the primary indicator of the consumer welfare. Thailand is anticipated to experience greater gains from the Agreement than Australia. According to this analysis, Thai economy has to reduce to a great extent of tariff and non-tariff barriers. This expectation is reinforcing exports, imports and investors to invest in Thailand.

The macroeconomic implications of the Agreement for Australia implies that real GDP rises above the baseline with the Agreement and peaks in 2011 at just under 0.03%. Over the entire period of 2004 to 2025, real GDP is more than 0.01% which rise in real consumption is slightly greater in 2012 (0.04%). The largest absolute increase in production occurs in the non-durable manufacturing sector, whereas the durable manufacturing sector and services sector experiences the second and third largest absolute increases in production, respectively. The lowering of Australian trade barriers is associated with more efficient domestic industries, while the lowering of Thailand’s trade barriers enables Australian producer’s greater access to Thai markets. (Annex 2 figure1)

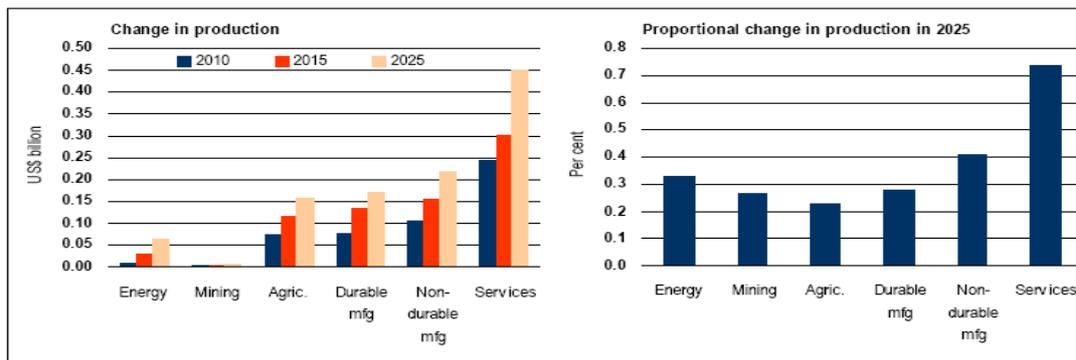
Australian Sectoral result



Data source: Simulations with APG-Cubed model.

Benefit for this FTA will be much greater for Thailand than those for Australia. Thailand's real GDP is 0.16% higher than would otherwise be the case in 2005 and 0.45% higher than the baseline in 2020. Real consumption also increases by 0.85% in 2020. The primary reason for this difference is that Thailand starts from a base of higher barriers to trade than Australia which creates larger reductions to trade barriers. TAFTA will result the largest change in service sector of Thailand both in absolute and relative terms. Most interesting is that the change in the production of agricultural sectors is very nominal around 0.23% in 2025, although agriculture is the second most distorted sector due to trade liberalization. In fact, consumption of agricultural products will increase as tariff cuts reduce the price level.

Thai sectoral Result:

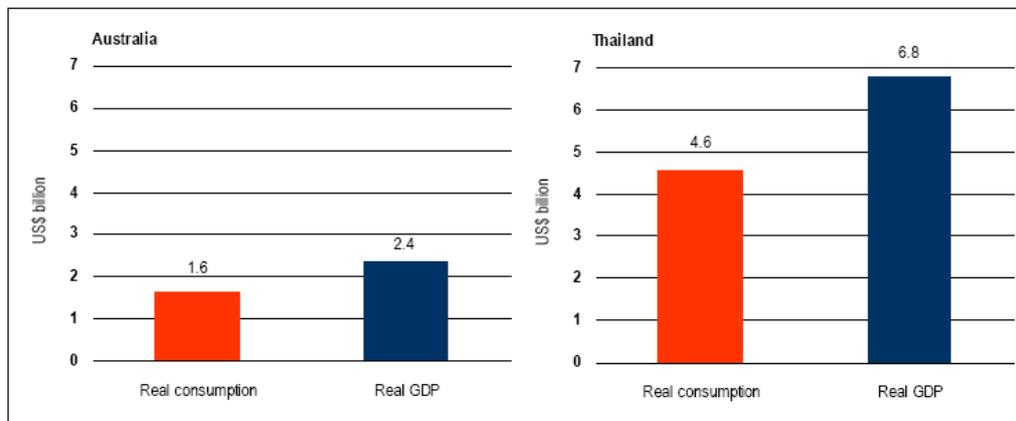


Data source: Simulations with APG-Cubed model.

Welfare and production gains from the Agreement:

Through this Agreement Thailand and Australia could make gains to real welfare (consumption) of nearly 4.6 billion US\$ and 1.6 billion US\$ respectively. In terms of real GDP, the gains are 6.8 billion US\$ and 2.4 billion US\$ consequently. The gains to Thailand are around three times the gains for Australia. As explained earlier, the gains are greatest to Thailand principally because they are reducing more distortions to their economy (barriers to trade) than Australia. Australia is a relatively open economy.

Welfare and Production gain form the agreement:



²⁸ Over 20 years discounted at model determined real interest rates.
Data source: APG-Cubed model.

(C) Liberalization Commitment:

The enforcement date of the Agreement Australia eliminates tariff on 83% of total tariff lines for products of Thai origin. It includes fresh fruit and vegetables, processed foods, small passenger vehicles, etc. By 2010, a further 13% of tariff lines will be duty-free which includes plastics, rubber, and rubber products. Finally, by 2015 all tariff line will be duty-free for products of Thai origin. Consequently, Thailand liberalized its duties on Australian goods for 49% of its tariff lines, which is corresponding to 79% of Thai imports from Australia (2002-2004). By 2015 more 45% tariff line will be liberalized, which includes textiles, base metals, and beverages. TAFTA provides that Thailand can apply tariff-rate quotas (TRQ) on 23 agricultural products imported from Australia, on 18 products tariff elimination scheduled for 2020 and remaining five sensitive products elimination deadline is by 2025²⁹.

(D) General and Special Provision of TAFTA:

(1) Positive list approach:

The TAFTA agreement has a "positive list approach" for goods and services and covers Chapters 1-97 of the Harmonized System (HS). This means that it only includes those sectors

and areas of regulation which each government agrees to list in the agreement. This structure is an improvement on the "negative list" approach, which includes all services unless they are listed as exceptions, and which places much greater limits on the ability of governments to regulate goods and services.

(2) Standstill Clause:

The parties cannot increase existing, or introduce new customs duties on imports of an originating good (Article 203.2 of TAFTA). In case of non-tariff measures, the parties are not allowed to adopt or maintain any prohibition or restriction on the imports of any goods of the other party or on the export or sale for export of any good destined for the territory of the other, except in accordance with Article XI of GATT 1994 and of creating unnecessary obstacles to trade between the Parties (Article 209). These clauses of the Agreement are act as a “Standstill Clause”³⁰. It is just like an undertaking from both the parties to prevent them from a disorderly movement in tariffs and other restrictions.

(3) Progressive Trade elimination:

Trade liberalization takes place on the basis of a positive list approach, and covers 1-97 of the Harmonized System (HS). Through this progressive elimination indicates customs duties on originating goods are taking place based on the various stages listed in the parties’ tariff schedule (Annex 2 of the Agreement). Tariff reduction takes place on 1st January of each given year. It is a very pragmatic clause of the Agreement that the elimination of customs duties may be accelerated unilaterally or through consultation of both parties.

(4) Development friendly developing countries:

In case of Rules of Origin, this Agreement follows the RVC (Regional Value Content) and CTC (Change in Tariff Classification) jointly or RVC alone for non-originating materials.

According to this Agreement from Chapter 50-64 minimum RVC is 55%. One of the special provisions of this Agreement is that the value of non-originating materials produced in developing countries may contribute towards the RVC for those goods up to a maximum allowable proportion of 25% of the FOB value of the goods. This provision is to expire 20 years after the force of the Agreement. So this treaty helping for the development of some listed developing countries. (Article 403.2 and Annex 4.1)³¹.

(5) Safeguard Mechanisms:

Chapter 5 of TAFTA describes the safeguard mechanism of the parties. Part II of this Chapter provides for traditional safeguard measures, provisional safeguard measures and global safeguard measures. Part III provides for special safeguard measures for certain sensitive products. The most important safeguard for this Agreement is the Special Safeguard Measures (SSG). According to this SSGs 41 Thai and 5 Australian agricultural tariff items are listed in Annex 5 of the Agreement. Imports beyond a predetermined annual trigger level (increased by 5% every year) for any given year may be changed with the current MFN tariff rate or the base rate, whichever is lower, in lieu of the preferential rate. The SSG regime will be reviewed within three years of the entry into force of the Agreement (Article 509 of TAFTA).

(E) Investment and Trade in Services:

The service sector is extremely influential sector for both parties' economies as it accounts for 70% of Australia's and 60% of Thai GDP. Australia has ranked 12th in terms of both world imports and exports of commercial services in 2005. Its outward direct investment is more significant in terms of its share of total investment, as it stands for 33% of total investment, while inward direct investment is 24% of total inward investment. in contrast Thailand ranked 28th in terms of world exports of commercial services. Thailand received almost double inward

investment than what it invested abroad for the year 2005, total inward and outward investment are 137 billion and 79 billion US\$ respectively.

The pattern of investment differs widely between the two countries. Several years early Thai investment in Australia was much higher than Australian investment in Thailand, but Australian investment stock in Thailand has increased constantly. In 2005 it was 0.7 billion US\$, which was 452% more than in 2001. Australian direct investment in Thailand has raised over seven fold between 2001 and 2004 (0.23 billion US\$). From the total investment exchange perspective of both countries investment exchanges are very small. Australia and Thailand attracts just 0.14% and 0.13% of its total direct outward investment stocks, respectively³².

Australia has completely opened its border for service sector. So Thai legal services, computer related services, mining consultancy services, satellite and mobile communication services, environmental services and training services based on Thai culture have spread in Australia. Through the Agreement Thailand committed to liberalize eight sectors out of eleven service sectors and excluded sectors are environmental, financial and health and social services, whereas Australia listed to liberalize all eleven sectors. Both commitment schedule have two sectors one is horizontal (Commercial presence and presence of natural persons) and other is sector-specific commitments. Before FTA Thailand maintained 49% on foreign equity involvement in respect of all services, and in some services rules and regulations was much more restricted. Now Thai government allows 100% Australian ownership in general management consulting services, construction services and 60% ownership in mining, restaurants and hotel, service related with tourism travel and recreational, maritime transport services, and educational services³³.

(F) Reasons for Agreement:

Economically, it is anticipated that TAFTA would increase Thailand and Australian GDP by 46 billion and 12 billion US\$ respectively over 20 years. The two countries enter into this Agreement to take the share of this growth. Strategically, this FTA allows the market in Australia to enter into one of the best promoting economies in the East Asian region. This will facilitate both countries to step towards more liberalized trade with other ASEAN countries. From Thailand's perspective FTA represents the symbol of commitment to open up its markets to more competition and other ASEAN countries to do the same.

Moreover, in cases of service sectors like architecture and engineering services, physiotherapy training, education and training, Bangkok will be act as a hub to Vietnam, Laos, and Cambodia. To share this gains 3.66% Australian business and convention visitors are investing in Thailand, and this rate is increasing tremendously. The Thai government is liberalizing its trade policy through this FTA, so it makes easy access of the Australian service sector in Thai market and expands this service throughout the ASEAN countries.

(G) Impact of TAFTA:

TAFTA is a major market opening agreement. It will lead to the complete elimination of Thailand's significant tariffs across all sectors and substantially improve the environment for services trade and investment. It also improves and promotes increased business mobility between Australia and Thailand. There are also significant improvements in access for Australian services exporters and investors in the Thai market. Thailand has relaxed a number of its restrictive conditions relating to visas and work permits for Australian business people and has guaranteed non-discriminatory treatment of Australian investments in Thailand. More than

870 Australian companies have been registered as active exporters under TAFTA and more than 14,000 certificates of origin for shipments to Thailand have been issued.

Merchandise trade between two countries has increased considerably from 6.8 billion US\$ in 2004 to 12.3 billion US\$ in 2007. Australia's main export items to Thailand are crude petroleum, aluminum, non-monetary gold, copper and coal. In contrast Thailand's key exports to Australia are motor vehicles (light commercial and passenger), non-monetary gold and heating and cooling equipment. Service sectors also benefited from this agreement. Australia's services exports to Thailand in total 804 million US\$, while services imports is 1.6 billion US\$ in total 2007, which makes Thailand as 9th largest services trade partner and 13th largest services export market of Australia³⁴. Thailand mainly exports recreational travel services and transport, including shipping to Australia. Thailand is currently examining the potential to increase services trade with Australia in health-related services, including alternative medicine therapy, education services, and exports of construction and related professional services.

TAFTA substantially improves the environment for bilateral investment. Thai investment in Australia is 328 million US\$ in 2007, which is 12.3% increase in investment relative to the year 2006. While Australian investment in Thailand is 1,398 million US\$ in 2007, which is 29.2% increase in relative to the year 2006³⁵. TAFTA also includes mechanisms aimed at promoting cooperation, transparency and international best practice in a wide range of areas such as intellectual property rights, competition policy, e-commerce, quarantine standards and industrial standards.

3.3 Thailand and New Zealand Closer Economic Partnership:

Today's world is the world of global finance and economic cooperation. After successful completion of Uruguay Round, countries are engaging themselves into regional or non-regional FTA and PTA and trying to increase their trade share in the world economy. According to WTO's Secretariat report 380 FTA has notified by 2007, it will exceed 400 by the end of the year 2010. FTA negotiation has increased in the Asia Pacific region, Closer Economic Partnership (CEP) between Thailand and New Zealand is one of the influential FTA among these. This Agreement was signed on 19th April 2005 and entered into force on 1st July 2005. Thailand New Zealand Closer Economic Partnership (TNZCEP) Agreement was notified under Article XXIV: 7(a) of the GATT 1994 on 1st December 2005. This comprehensive trade facilitated between the two countries will provide real benefits for the people, business and economics of both nations as well as help to advance the APEC and WTO trade liberalization process.

(a) Historical Background:

Thailand and New Zealand both are active members of APEC. Both countries are committed to achieve "The Bogor Goals" of APEC to make free and open trade by 2020. The Prime Ministers of Thailand and New Zealand agreed to establish a Closer Economic Partnership (CEP) at the APEC leaders meeting in Bangkok, October 2003. For this purpose they also agreed to undertake a joint study to investigate the benefit of CEP.

Joint Investigation Committee (JIC) has investigated both countries strategic points and submitted their reports April 2004. Both countries are member of "Cairns Group" of agricultural product exporting countries in WTO and presenting a common platform in the agriculture

negotiations in WTO. Thailand mainly exports manufactured products and agricultural product and New Zealand mainly export dairy products and meat. New Zealand's import from Thailand is 0.3 billion US\$ which are only .016% of its global import (18.6 billion US\$). Meanwhile Thailand's import from Zealand is 0.2 billion US\$ which are only .0026% of its global import (75.8 billion US\$)³⁶. So their inter-country trade flows are very nominal, in comparison to their international trade flows.

Thailand has expertise in automotive, electrical machinery and textile clothing; meanwhile New Zealand has also comparative advantage in dairy product, meat, fruit and vegetables. New Zealand's dairy product and fruit and vegetable have significant demand in the Thai market for its high quality. But exporters are facing quota (55,000 tone quotas for dairy product) and high tariff barriers that reduces their trade gain (40% face tariff for fruit and vegetables)³⁷. Reduction of tariff and non-tariff barrier under Thailand New Zealand Closer Economic Partnership (TNZCEP) will lead to increase welfare due to price reduction, trade creation between these two countries which will create strategic and dynamic gain in the long run. NZCEP Agreement was signed on 19th April 2005 and entered into force on 1st July 2005.

(b) Trade Liberalization:

Tariff and other duties will be liberalized phase by phase through this agreement. Elimination of tariffs and non-tariff barriers and to establish free trade area maximum periods up to 20 years for Thailand and 10 years for New Zealand. Tariff reduction will take place on January 1st of each given year and customs duties will be accelerated unilaterally or by the request of either party. Tariff elimination will be on the basis of TNZCEP schedules and in terms of the number of affected tariff lines. From the enforcement date 82% of New Zealand's total tariff lines are free for Thai origin products and it will to increase 9% by 2010. In the case of

Thailand 51% total tariff lines are free for New Zealand origin product; the remaining 45% will be covered by 2025³⁸.

(c) Special Regulations and Provisions:

(1) Safeguards and remedies: Under the CEP, both parties will retain their existing WTO rights and obligations on anti-dumping and countervailing duties procedures and use the global safeguard measures. Bilateral safeguards include transitional and provisional safeguard measures. Due to tariff reduction, if one parties increased export causes serious injury to other countries domestic industry (like or directly competitive good), transitional safeguard allows suspension of tariff concession and compensation through investigation of competent authorities. Provisional safeguard measures for “highly unusual and critical circumstances”, where there are clear evidences that increased import causes serious injury; additional duties can be collected and will be refunded if injury is not found. Thailand can apply Special Safeguards measures for 41 sensitive agricultural products during transition period lasting until 2015 or 2020³⁹.

(2) Duty Drawback: This Agreement follows the general rules to duty drawback, which means duties/ tariffs on imported materials of Thailand are refunded or reduced when the materials are processed in New Zealand and subsequently final product is exported to Thailand, provided that final good is exported within one year from the date of import of raw materials and vice versa.

(3) Treaty of Waitangi: TNZCEP Agreement contains a special provision whereby New Zealand maintains the rights to take measures including in fulfillment of its obligations under the “Treaty of Waitangi” and it is excluded from the dispute settlement provision⁴⁰.

(4) Self Certification: Preferential treatment is granted not on the basis of certificate of origin but rather on a declaration of origin and such declaration is “Self Certification” which is made on the face of the invoice with other supporting document by exporter, producer.

(d) Reasons of Agreement:

Thailand is an excellent hub for business operations in South East Asia and it provides a cost effective option and business friendly environment for New Zealand and other international companies. This Closer Economic Partnership reflects the longstanding friendship between Thailand and New Zealand and recognition of the gains that would potentially accrue to both Thailand and New Zealand. This arrangement involves not only preferential liberalization of trade in goods but also a range of other issues which will extend and deepen ties across the wider trade and investment relationship. Global connection and cooperation is very crucial for success in today’s international market, especially it is for the small economy which is heavily depend on international trade. As Thailand is also a member of ASEAN country it will helpful for New Zealand to enter into the ASEAN market. Both countries trade policies recognize that strategic bilateral partnerships assist companies and business to compete in the third country markets through cooperation in exchange ideas, production and marketing, and access to competitively priced inputs.

Moreover in case of service sector like architecture and engineering services, physiotherapy training, education and training, Bangkok will be act as a hub to Vietnam, Laos, and Cambodia. The broad aim of CEP agreement would facilitate to the trade in services between Thailand and New Zealand. Thai government has currently liberalized its trade policy and further liberalization in Foreign Business Act, Financial Reporting Act 1993 and Companies

Act 1993 and Immigration Act 1987 will reduce the non-tariff barriers and boost up Thai New Zealand companies cross border operations⁴¹.

Thailand has maintained some of the highest trade barriers in the South East Asia region. Tariffs on New Zealand products average nine percent and for many goods are as high as 40% to 60%. By removing all these tariff and non-tariff barriers over time the CEP will open up significant opportunities for New Zealand and Thailand to develop their trading relationship to full potential. Without this agreement, New Zealand would be significantly disadvantaged in the Thai market due to the preferential entry given to Thailand's current FTA partners, China, Australia and ASEAN member countries, and future partners including the United States and Japan.

For the "open regionalism" principle of the ASEAN Economic Ministers (AEM) has close relation with Australia and New Zealand. To linkage ASEAN Free Trade Area (AFTA) and Australia New Zealand Closer Economic Regional Trade Agreement (ANZCERTA), AFTA-CER was established. Consequently ASEAN Economic Ministers and CER Ministers have signed a Memorandum of Understanding on standards and conformance in November 1996. This bilateral negotiation will strengthen the previous relationship between Thailand and New Zealand⁴².

(e) Economic Effect of TNZCEP:

Through early trade liberalization, TNZCEP will provide time New Zealand and Thai producers to adjust, become more efficient and therefore be in competitive positions in the world economy and take strong steps on future APEC and multilateral liberalization. TNZCEP will bring welfare for the producers and consumers of both countries by liberalizing the trade barriers

gradually. According to the comparative advantage theory of Adam Smith this RTA will make trade creation and reduce relative price of product and deadweight loss.

Global connection and cooperation are crucial for success in today's international market place. This strategic partnership will assist companies and business man to compete in the third country markets through cooperation in exchanging ideas, production and marketing. TNZCEP can bring economic gains through improvement of trade condition and technical cooperation. Due to strong economic relationship and faster growing economy of Thailand many big company of New Zealand increases their investment in Thailand. Thailand and New Zealand chamber of commerce has a membership of around 100 companies. Trademark registration dramatically increases in Thailand and out of seventeen thousand two hundred twelve trademarks six thousand one hundred ninety four are registered by non-resident. Moreover partnership and property of non-resident ownership sharply increases, out of 553 industrial properties 491 are owned by non-resident partner⁴³.

Thailand is a leader in the economic reform and trade liberalization in ASEAN. From economic and geopolitical point of view Thailand became important and as a result of which, FDI increases dramatically. In Thailand FDI was 68,058 million US\$ in 2006 which is 33% of its GDP and in 1990-1995 it was only 10.7% of its GDP. In South-East Asian countries Thailand become the second largest FDI receiver⁴⁴. Through this CEP New Zealand wants to take the share of this trade creation and Thailand wants material and technological support from advanced country.

This will enhance welfare for the consumers and producers improve opportunities for the exporters of both countries. Thai share in the merchandise trade both in import (61,923 million US\$ in 2000 and 125,975 million US\$ in 2006) and export (68,963 million US\$ in 2000 and

128,220 million US\$ in 2006) sectors has increased after two years of the enforcement of this treaty. New Zealand's increase in merchandise trade is almost double both in import (13,905 million US\$ in 2000 and 26,477 million US\$ in 2006) and export (13,297 million US\$ in 2000 and 22,343 million US\$ in 2006)⁴⁵. This treaty stimulates economic activities and attracts FDI which in turn increase production efficiency as well as their world trade partnership.

The Thai government has committed to maintain access for 100% equity participation and to not restrict the number of New Zealand investment directors for investments in a number of manufacturing sectors including machinery and mechanical appliances, food processing, paper products, software manufacture, furniture and textile manufacture. Future services negotiations will provide an opportunity to seek improved access for investment in other sectors.⁴⁶

3.4 Japan Thailand Economic Partnership Agreement:

Introduction

Japan and Thailand Economic Partnership Agreement (JTEPA) was signed on April 3rd 2007 and come into force on November 1st 2007⁴⁷, after four years of negotiation starting from December 11, 2003. It is a bilateral free trade agreement (FTA) in goods, notified to the World Trade Organization (WTO) under the GATT XXIV, and in services under the GATS V. As is generally known, Japan is the world's second largest economy, while Thailand is a developing country. There is an asymmetric economic relationship and strategic view of Japan and Thailand to enter into this agreement. According to Japan statistics in 2002, trade between Thailand and Japan was JPY 2.85 trillion. For Thailand, Japan has been the largest trade partner, and for Japan, Thailand ranks the 8th largest trade partner. Japan Trade Statistics shows that in 2001⁴⁸. The JTEPA is aiming to further enhance and deepen the Thai-Japan strategic partnership in wide

range of areas concerned, so as to develop not only a simple FTA but more comprehensive relations for the better future between the two countries.

(a) Historical background:

Thailand and Japan have extremely sound relationship from the view point of diplomatic and business perspectives. During his official visit to Japan in November 2001, the Thai Prime Minister, H.E. Dr. Thaksin Shinawatra, proposed to Japanese Prime Minister, H.E. Mr. Junichiro Koizumi, that Thailand and Japan should explore together the possibility of establishing a bilateral Free Trade Agreement (FTA). The Japanese Prime Minister Koizumi proposed the “Initiative for Japan-ASEAN Comprehensive Economic Partnership” in January 2002 at the time of his visit to five ASEAN countries; and the Thai Prime Minister Thaksin gave his full support on that regard, that made their relationship much deeper. After the long term conversation and discussion of working group and Tusk Force JTEP was signed on April 3rd 2007 and come into force on November 1st 2007.

Japan's main export goods are cars, electronic devices and computers. The most important single trade partner is the USA which imports more than one quarter of all Japanese exports. Other major export countries are Taiwan, Hong Kong, South Korea, China and Singapore. Japan has a large surplus in its export and import balance. The most important import goods are raw materials, such as oil, foodstuffs, and wood. The major suppliers are the USA, China, Indonesia, South Korea, and Australia. Japan is the world largest importer net importer of agricultural product. Meanwhile Thailand has a comparative advantage processing food, sea-food, machineries, medical service, massage service, elderly care services, child care services, and home helper services. This bilateral relation will help both countries to liberalize their goods and service sectors by reducing their tariff and nontariff barriers.

(b) Reasons of Agreement:

Politically, the strategic linkage with South East Asian region may ring true when it comes to Japan's FTA strategy with Thailand. Japan's continued presence in ASEAN would sustain its power in the region and East Asia⁴⁹, vis-à-vis other big states such as the USA and China. Thailand's economy and membership in ASEAN may be the indication that having the FTA with Thailand would further foster Japan's strategy goal. Meanwhile Thailand would prefer to strengthen the existing long-term relation with Japan⁵⁰.

Japan has been very active in providing foreign aid⁵¹ in many forms to Thailand for the country's economic development and in time of crisis. Thus, it makes sense for Thailand to seek the FTA with Japan, despite having a low bargaining power, since the concluded FTA would not only deepen the existing bilateral cooperation with Japan but also maintain Thailand's status quo in the region, when Japan was also negotiating an FTA with Indonesia.

Economically, the FTA could be beneficial to both nations since Thailand is also an important trading nation. In 2006, Japan's exports were valued at 647,006 million US\$ and imports were 579,593 million US\$, accounting for 5.34% of the world total exports and 4.66% of the world total imports, respectively. Meanwhile, Thailand exported about 1.08% of the world total exports and imported about 1.05% of the world total imports. Moreover, Japan ranked 3rd as Thailand's export destination, and 1st as Thailand's import origin in 2006. The export and import volumes between Thailand and Japan were not balanced. Japan's exports to Thailand represented 20.28 billion US\$ in 2004, 22.5 billion US\$ in 2005 and 20.1 billion US\$ in 2006, but imports from Thailand accounted for 14.11 billion US\$ in 2004, 15.6 billion US\$ in 2005, and 12.7 billion US\$ in 2006⁵². That both countries had trade surpluses but unbalanced inter-trade allows for the possibility for the expansion of their trading potentials with each other.

Specifically, Japan and Thailand could increase their trade in terms of products and lower tariffs conceded under the FTA. Thai major exports include “textiles and footwear, fishery products, rice, jewelry, automobiles, rubber and computers”, and major imports are “capital goods, intermediate goods and raw materials, fuels and consumer goods”. Japanese major exports are “cars, electronic devices, and computers” and her major imports consist of “oil, foodstuffs and wood”⁵³. In 2002, Thailand exported mostly manufacture accessories and parts to Japan duty-free, and only some agricultural produce at the applied MFN tariff rate, while textiles, footwear and rice did not probably take much proportion. Thailand imported mainly manufacturers from Japan at applied average MFN tariff rate of 8.2%⁵⁴. In fact, the 2003 joint economic effect study on trade liberalization between Japan and Thailand concluded that an FTA would provide macroeconomic gains to Japan and Thailand⁵⁵.

(c) Special Regulations and Provisions:

JTEPA could be deemed as a comprehensive FTA. It was even claimed to eliminate tariffs on 97% of Japan’s exports to Thailand and 92% of Japan’s imports from Thailand within 10 years, meaning that it meets the requirement of the GATT XXIV: 8⁵⁶. In regard to tariff elimination, Japan made a commitment to eliminate almost all the products such as live animals, products made thereof, agricultural produces, apparels and clothing, wood, and manufactures either immediately on entry into force or in installments mostly within 8 or 10 years, with exception of very few products. Particularly, rice and wheat or products made thereof were completely excluded. In reciprocity, Thailand promised to eliminate tariffs immediately on live animals and mostly in installments on agricultural produce, rice, and manufacturers⁵⁷. In addition, JTEPA specifically prohibits parties from exercising “export subsidy on agricultural products”,

applying “non-tariff measures”, but allows for balance-of-payment measure, and “safeguard measure” to salvage injurious industries via the agreed-upon procedure⁵⁸.

To obtain the preferential tariff treatment, any product exported to Japan or Thailand needs to obtain a certificate of origin from the “competent governmental authority” of either exporting party. To be eligible for a certificate of origin, any product shall satisfy the following rules of origin specified under JTEPA. First is the “wholly obtained” condition mainly for agricultural product⁵⁹. Second is a change in tariff classification (CTC) for non-originating material undergoing specific manufacturing or processing⁶⁰. Third, the “value content requirement” is 40% of local content of the F.O.B value of imports. The content from the party used by the originating party is also incorporated to fulfill 40% local content requirement, which is accumulation. Finally, if a product is transported directly to the party from the originating party, or transits or is stored temporarily in a non-party’s territory without going through significant operation, except “unloading or reloading or preservation”, the product should also be conferred its origin status as it is from the exporting party⁶¹.

In addition, chapters on trade in service, investment, and movement of natural persons are worthy of review. For trade in service, JTEPA adopted a positive list approach. For example, arbitration and conciliation, fishing, radio and television, gambling and betting services, are marked “unbound” for all modes in Japan’s schedule of specific commitments. In addition, JTEPA stipulates national treatment, most-favored nation (MFA) treatment⁶², and compensation for any measures affecting trade in service and investment. Investors shall be given the “protection from strife” in the territory of either party⁶³. In regard to the movement of natural person, Japan specifically commits itself to allowing the stay of not less than 1 year for Thai nationals who are “intra-corporate” employees, investors, “legal, accounting and taxation

services suppliers qualified under Japanese law”, instructors, and those engaging in business activities of advanced knowledge and technology.⁶⁴

(d) Effect of JTEPA:

Generally, both countries would have a much tighter and closer economic interdependence, and the resulting stronger political relationship, after the conclusion of JTEPA. Obviously from the legal text itself, Japan and Thailand could draw many benefits through tariff reduction, elimination and other commitments reciprocally made by both parties. Thailand could expand its exports to include more of textiles, apparels, agricultural products, wood and many others, which Thailand has a comparative advantage over Japan⁶⁵. Likewise, since about 90.2% of Japan’s 2006 total exports to the world were manufactures, Japan could increase her manufacture exports. For example, Japan’s auto accessories and spare parts could be exported at a phase-out tariff rate from 20% and automobiles with engines over 3,000 cc are exported at 60% tariff rate to Thailand⁶⁶. Thus, both countries’ trade volumes would increase.

Japan and Thailand could also benefit from other provisions of JTEPA. Japanese service suppliers and investors who are doing businesses in Thailand would formally receive legal rights from the Thai government: national treatment and protection from strife. Meanwhile, Thailand, hosting about 215 Japanese investors in 2002, would be expecting more investors from Japan. Japanese investments accounted for about 45% of total investments in Thailand⁶⁷. Furthermore, Thailand would benefit from technology and knowledge transfer through cooperation with Japanese government, as is set out in Article 153 of JTEPA. Thai nationals would also benefit from the commitments made by Japan for the movement of natural person, so do Japanese nationals. Thai employees or suppliers⁶⁸ would work in Japan under a more relaxed procedure.

CHAPTER 4

METHODOLOGY

This chapter will demonstrate the methods utilized by the researcher. The quantitative and empirical research is used to focus on the effectiveness of the RTAs in the APEC countries, basically focus on Thailand. Thailand was chosen as it is the founder member of APEC and ASEAN forum and it is one of the fastest growing economy in the East Asia; engaging RTAs with APEC member and non-member economies. Quantitative and empirical methods were discarded from the secondary data. The design was both exploratory, to know and evaluate the effect of the Thai economy due to adoption of trade liberalization policies, and descriptive, to be able to describe the various mechanisms and make stronger recommendations. Some macroeconomic indicators sectoral data related to trade policy will be analyzed and related prior research was also focused. Procedures for collecting and analyzing the data were presented, followed by a discussion of the validity and reliability of those methods.

This study firstly utilized quantitative research in order to focus on effect of RTAs. Quantitative data were collected from the secondary sources as quantitative data properly explain the effect of trade liberalizations in the various sectors in Thailand. In the previous chapter the Thai economic conditions, policy measures and different RTAs with other APEC member economies were discussed. The following research chapter will highlight on the main five hypotheses; firstly whether regional integration increases consumer welfare, trade, and investment of Thai economy. Secondly whether, these regional arrangements facilitate Thai economy to remove tariff and non-tariff barriers more than WTO. Thirdly, it has induced Thai economy's bargaining capacity with the powerhouse economy like USA, EU. Finally trade

creation gains are greater than trade diversion and it positively affect the consumer welfare of Thai economy.

In order to evaluate current situation of the Thai economy and impact of trade liberalization for regional integration (RTAs) some vital macroeconomic indicators data were collected from the period from 1990 to 2007. Basically, Thailand started this RTAs in 1992 (AFTA, 1992) and exclusively from 2003. This period of statistical data focused on the comparative relationship of free trade policy adoption and economic change. This period also covered the Asia economic crisis period, which helped to demonstrate whether this trade liberalization induced the Thai economy to absorb the crisis. This result analysis also compared with the previous studies of welfare gains from integration. Quantitative data was collected from the WTO, UNCTAD, IMF, Bank of Thailand, and APEC statistical data sources. For empirical resources were collected from Joint investigation commission reports on RTAs among the APEC and ASEAN members and some simulations on it which were earlier done by the renowned economist.

This study utilizes a variety of valid and reliable instruments under the framework of quantitative research, in order to fully analyze the effects of RTAs negotiations of APEC member economies and provide solid recommendations. Trade and administrative policy reform in Thailand and other APEC countries are evidence of new trend of trade blocs and present empirical study reflected how much these countries can gain really and what are the features of these regional integrations. The next chapter will present the result of these methods.

CHAPTER 5

RESEARCH AND ANALYSIS OF RESULT

Introduction:

APEC region represents the most dynamic region in the world. Member countries are entering RTAs with the member and non-member countries as they believe that regional integration bring sustainable development. Economic integration increases mostly in the East Asia and Pacific Island region in the banner of APEC and ASEAN forum. Empirical statistics shows that in this region inward and outward investment boost-up intensively. This study sought to determine the main effect of regional integration in this area, and how they could be overcome. The impact of this is a more intrusive regional cooperation leading to common market operation like EU. Earlier lot of research done on this regard, no study had analyzed the country base policy liberalization and its impact. This study therefore utilized a logical framework adoption in APEC future plan and member countries IAPs and CAPs regarding that mission and its impact on their economy. It will not be convenient to analyze all the member's economy, Thailand is chosen for the empirical study. In chapter three we have analyses Thai economy, measures of investment flows, some treaties with other APEC member countries.

This chapter will present the result and analysis of the results as they related to the overall research questions, and provide supporting evidence for the main arguments. Recommendation for the policy maker will be presented in the next chapter based on the result of this chapter which will help the APEC and ASEAN policymaker for their future plan of action on relation their forum and member counties interest. Moreover this study will work out on five hypothesis whether these Regional Trade Arrangements' really increase the trade creation, investment and consumer welfare of Thai economy, and if so, what is the reason behind this? It

will also analyze whether this integration increases the bargaining capacity of Thailand with other powerhouse economy as well as economic growth. Remaining chapter will analyze on the basis of the hypothesis.

5.1 Interregional RTAs increases the consumer welfare, investment and trade share of Thailand in the world economy.

Thailand has RTAs with developed countries like Australia, New Zealand, and Japan and emerging economy like Singapore and China. Moreover, the Thai government is trying to negotiate a Free Trade Agreement with the USA, as the United States is the main exporting partner⁶⁹. To examine this hypothesis we have to analyze both the pre and post trade volume, consumption and investment level of Thailand. **Table 1** shows a trend data of Thai economy within the period from 1995 to 2006, which will help to properly analyze the overall condition of Thai economy.

Within this twelve year period of time both export (US\$ 56 to US\$ 131 billion) and import (US\$ 71 to US\$ 129 billion) volume increases gradually in context of the whole world economy. After the Asian economic crisis the Thai economy was in difficulties and it was reflected in the import sector, which sharply declined up to 2002 and then recovered moderately. From the fiscal period 2000-2006 annual percentage of change in merchandise export, f.o.b. and merchandise import, f.o.b. were 11% and 13%, respectively. Yearly basis percentage change, mostly in 2005 (14% and 25%) and in 2006 (19% and 11%), which shows bilateral treaties with the partner countries induces their exports and imports. Most of the RTAs were enacted in 1995 (TNCEP, TAFTA, TJCER) and in **graph-1** shows the positive effect in export as the Thai government follows export-oriented economic growth. The breakdown of economic commodity export items are manufacturing (75.3%), agricultural products (16.5%), and fuels and mining

products (6.4%). Import commodities are manufacturing (66.8%), fuel and mining products (24.9%). At the time of treaty discussion it is already mentioned that Thailand has a big market of agricultural product in Japan and manufacturer's products (vehicles), mainly exported to Australia and New Zealand.

Figure 1

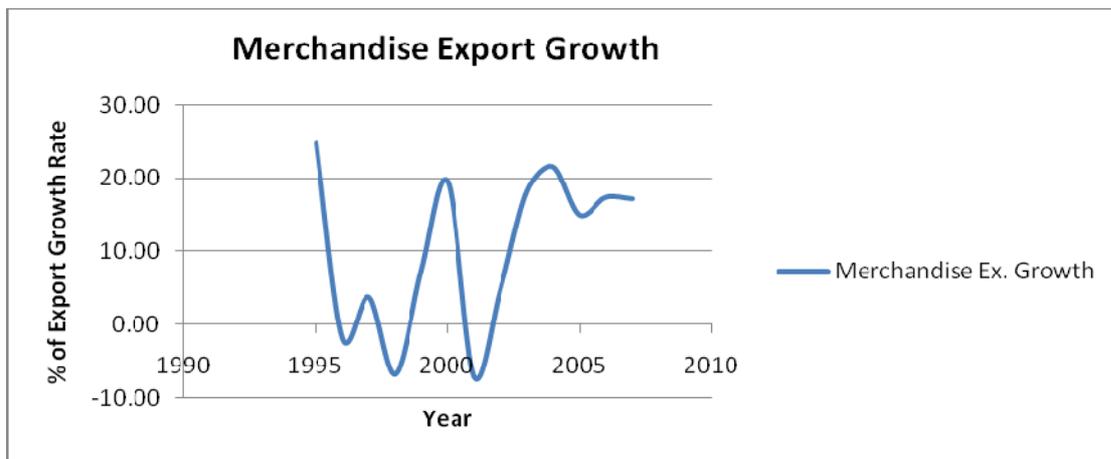
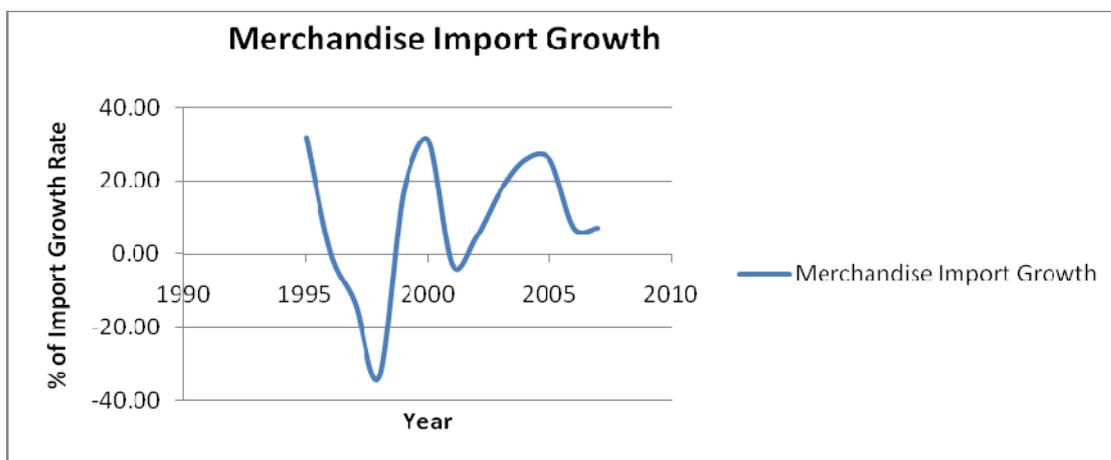


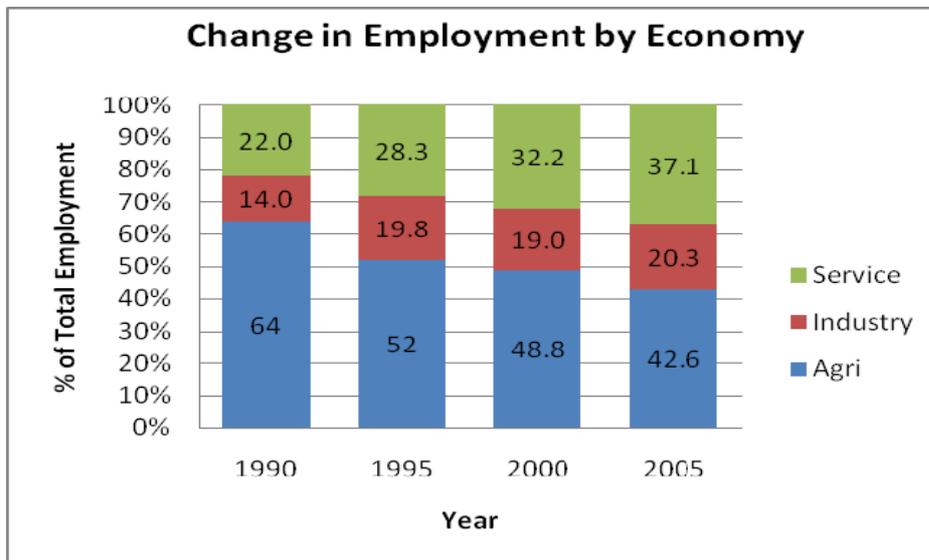
Figure 2



Through these RTAs the Thai economy liberalized its service sectors and it increased commercial service trade dramatically. Within the year 2000-2006, commercial services export and import growth rates are 10% and 13% consequently. Year base discussion will specify the impact of these RTAs on commercial services, export and import in service sectors were 6% and

18% in 2005 which extended to 20% in both in export and import in 2006. Breakdown service sectors are travel, transportation and other commercial services (telecommunication, human resource development training, education, medical service). **Figure 3** shows the gradual expansion of the economic sectors of Thai economy. Expansion of the service sector is remarkable in the figure. In 1990 the agricultural sector was the most dominating sector of employment, and by 2005 the service sector became the second largest sector for employment. This diametrical expansion is due to the investment boom in service sector in Thai economy.

Figure - 3



In the course of interregional integration Thai government induces their market to absorb external shocks voluntarily. The Thai government has liberalized their service sectors by introducing APEC Business Travel Card (ABTC), one stop service center, administrative and financial sectors reforms that attract huge FDI from Japan, China and Australia. For example, the Japanese company Toyota established the Toyota Technical Center Asia Pacific in Thailand in 2005. Australian and New Zealand companies are investing largely in law consultation, education, and construction services. This expansion in export and import comparatively reduces

the product price and increases the production efficiency of Thai product. CTFTA facilitates Thai consumer to consume qualitative fruits and vegetables at a cheaper rate. Meanwhile TAFTA and TNCEP enables Thai consumers to consume milk, butter and milk contained product at a comprehensive rate, as well fulfill the shortage of milk and milk contained products. Therefore RTAs increase the welfare gain of Thai consumer and this result coincides with the joint commission report on TAFTA.

5.2 Regional Trade Agreements and Free Trade Agreements facilitate Thailand to remove tariff and non-tariff barriers more than WTO (MFN bound rate). These sharp declines in tariff and non-tariff effect positively in Thai balance of payment and trade volumes with the partner countries.

"Busan Roadmap towards Bogor" highlights on the multilateral trading system, trade facilitation, a comprehensive work plan on RTAs, structure base CAPs and IAPs with strengthened review processes, and improvement of the behind-the-border business environment. The Busan Roadmap presents a forward-looking and ambitious proposal with clear milestones to steer APEC members towards the Bogor Goal. Thailand is one of the founder members of APEC, through IAP and CAP it is reducing its tariff and non-tariff barriers. The rate is substantially lower than MFN applied rate in WTO. As a developing country member of WTO Thailand's simple average final bind tariff rate is 28.27% (agricultural goods 40.7% and non-agricultural goods 25.5%), agricultural tariff quotas and SSGs in agricultural sectors are 4.6% and 7.8% consequently. Whereas Thailand is reducing its tariff rates sharply 40.8% to 17% within the period from 1988 to 1996, which is the highest sharp decline rate among APEC members (Appendix A). To achieve the Bogor goal Thai government has IAPs to eliminate the tariff level

for all APEC members by 2020. In addition Thailand has international obligations and with other members of the global society by further unilateral tariff liberalization.

In 1996, Thai tariff preferences were only extended to ASEAN member countries under the AFTA scheme. Under AFTA, as of 1 January 2007, tariff rates on 80% of tariff lines were eliminated and the remaining tariff rates will be eliminated in 2010 except 10 tariff lines which are consider as sensitive products. Under the ASEAN-China FTA (Early Harvest Program) tariff rates on products in Chapter 01-08 were eliminated since 1 January 2006; normal track of tariff rates will be eliminated by 2010 and for sensitive products it will be only 5% from 2018. The Thailand-Australia FTA (TAFTA) was signed on 5 July 2004 and entered into force on 1 January 2005. Thailand eliminated tariff rates on 2,724 items when the agreement entered into force. For most of the remaining products, tariff rates will be reduced to 0% by 2010. The TNCEP was signed on 19 April 2005 and entered into force on 1 July 2005. Under the TNCEP approximately 50% of Thailand' imports from New Zealand are duty free. The tariff rates on most of products will be reduced to 0% by 2010 and tariff rates on sensitive products will be reduced to 0% by 2015. The JTEPA was signed on 3 April 2007 and entered into force on 1 November 2007 that facilitates approximately 45% of Thailand's imports from Japan are duty free. Tariff rates on most of products will be reduced to 0% by 2012⁷⁰.

Thailand maintains tariff rate quotas (TRQ) on 23 agricultural products. The application of TRQ complies fully with the WTO Agreement. In 2003, Thailand expanded its tariff quota and lowered its applied in-quota tariff rates below its WTO commitments. For example, soybean and seed potato, under tariff quota imports are not limited with 0% tariff rate, Soybean cake, unlimited imports with 4% tariff rate whereas the quantity and the in-quota tariff rate committed under WTO Agreement are 229,339 tons and 20% respectively⁷¹.

Moreover, Thailand has already reduced non-tariff barriers through the ABTC issue for natural person movement, reformation of Thai financial services sector, and administrative sectors, which is 100% asset ownership of foreign investors. “One-Stop Service Center” for Visas and Work is Permitted since 1997 and reformation of business rules; the Alien Business Law of 1972 to “The Foreign Business Act B.E. 2542 (1999)” makes the investment Thai sector attractive. The Thai economy is trying to reduce all the tariff and non-tariff barriers of trade throughout the implementation of the best practices for RTAs in APEC countries which will help to adjust with the threat of widening development gap between developed and developing countries. All of these attempts are more than WTO or WTO plus facilitation for the APEC members.

Thailand has RTAs with Australia, New Zealand, Japan, Singapore and China. It is also negotiating for free trade agreement with USA and EU which are 1st and 2nd exporting partner (Appendix D). These RTAs induce Thailand to liberalize tariff and non-tariff barriers on trade in goods and services over and above investment. For example, TAFTA enables zero tariff rates for Thai product to Australian market by 2010 and Australian product in Thai market by 2015; applied tariff-rate quotas (TRQ) on 23 Thai agricultural product’s tariff elimination deadline is by 2025. Whereas the WTO has not yet completed its negotiation on TRQ elimination and natural person movement barriers eliminations, which makes the Thai economy able to compete in the world economy.

These relatively sharp declines in tariff and non-tariff have positive effects in Thai balance of payment and trade volumes with the partner countries (Appendix F). CTFTA expanded Thai export from US\$ 6285 to US\$ 19033 million in the period 2000 to 2006 and which makes China the 2nd largest export partner of Thailand (Appendix E). Meanwhile JTEPA

enables Japan 1st largest importing and 3rd largest exporting partner. Reduction of tariff and non-tariff barriers in Japanese market ensures Thai agricultural products in Japan. This result coincides with the simulation of trade liberalization of in APEC countries. Lee, Roland-Holst and Vander Mensbrugge showed under MFN liberalization the real GDP of non-member countries US\$ 16 billion by 2020 in their “General Equilibrium Assessments of Trade Liberalization in APEC Countries”. They also added real GDPs in developed and developing APEC member countries are predicted to increase by US\$ 42 billion and US\$ 83 billion respectively within the year 2000 to 2020 as they are liberalizing their tariff and non-tariff barriers. Additionally the simulation result shows China, Japan, the US and Taiwan benefit the most in absolute terms but the Philippines, Vietnam and Thailand see the highest increases (1-3%) in percentage terms. This prediction is not appropriate in all terms, as China, Russian Federation, Peru, Vietnam, Singapore and Philippine gains most; Thailand, Chile their gain in relatively lower in percentage terms (Appendix B).

5.3 Bilateral negotiations expand the economic growth and bargaining capacity of Thailand with other powerhouse economy like European Union, United States, India, and Canada, which will uphold Thai geo-political image in the other international forum.

Thailand is a founder member of The Association of Southeast Asian Nations (ASEAN, 1967), Asia Pacific Economic Cooperation (APEC, 1989) and also member of WTO (1995). It is acting as a vocal member of developing countries in various international forum; active member in Corns Groups of WTO. Thailand hosted APEC in 2003 and began an 18-month term as chair of ASEAN in July 2008. These activities participation in WTO, APEC, and ASEAN Thailand got expertise in negotiation and deal making.

Being a member of APEC and ASEAN forum Thailand is trying to work as hub nations with the other countries; other economies are trying to enter the ASEAN big market. From the strategic point of view it is negotiating its bilateral and regional agreements with the big economies and with the strategic partners. Among the ASEAN countries Singapore and Thailand are in advanced position to deal regional agreements. They have RTAs with all the APEC big economies like Japan, China, Australia and New Zealand and trying to negotiate with other important trade partners; USA, EU, India and Peru (Appendix G). This strategy of Thai government makes sense of multilateralism trading prospects. After the Asian economic crisis the Thai economy adopted outward looking view and trade liberalization procedures to absorb the transitional pressures.

Bilateral Agreement with China and Japan made the Thai economy an affluent trading partner to the other big economies like the United States, EU, and India. These countries want to enter the ASEAN market via the Thai market; from the ASEAN Rules of Origins local content requirement is 40%. Thailand has liberalized its trade in goods and services that facilitate USA, EU and Indian investors to access the market of ASEAN and China. Thailand is negotiating RTAs with two perspective ways; market assessment and technical support. As it is technically less developed it negotiated RTAs with Australia and New Zealand even though they hold minor share in trading sectors (3.3% and 0.4%) (Appendix G).

In addition “The US-Japan economic problem” should come forward, as Thailand has signed an agreement with Japan. Japan wants to control on trade in Pacific Basin area whereas USA has few bilateral trade relation with this area. USA is mostly concentrating on NAFTA members. As the USA wants to extend its relations in the Asia Pacific region geopolitically, Thailand is in powerful position after Singapore. The EU and India are also enthusiastically

proceeding for further negotiating trade agreement with Thailand. Geographically Thailand is in favorable position to negotiate with South East Asia, North Asia and Pacific Island. It has bilateral security and commercial agreements and a long-standing defense relationship with the United States. The United States is Thailand's major trading partner (Appendix E and F). Both USA and Thai government is hopeful to complete the agreement by 2009. This strategic action increases the GDP growth rate and quick recovers of economic crisis of Thailand (Appendix B). In 2006 total FDI was US\$ 68,058 million which is 33% of its GDP and it is the second largest FDI flows among South-East Asian countries after Singapore.

5.4 The welfare effects of tariffs cutting through RTAs are overwhelmingly positive; trade-creation gains outweigh trade-diversion losses and provide a positive impact for the faster growing export in Thailand. Appendix: E & F

Thailand recognizes the significant role trade facilitation plays in the development of business conditions conducive to trade and also in the reduction of business transaction costs. APEC members have reduced the business transaction cost by 5% in 2006 and it extended its plan to further reduction of transaction cost 5% by 2010. Business sector involvement in trade facilitation has been encouraged through regular information-sharing sessions and consultations.

Among the APEC countries China, Thailand, and Viet Nam are developing and transition economies with low incomes and high dependence on FDI⁷². Inward FDI flows basically depend upon the FDI performance rate; FDI performance rate dramatically increases in Brunei Darussalam, H.K. China, Singapore, and Viet Nam (Appendix H). Whereas performance in Thailand reduces sharply compare to other APEC countries. Thailand had been in the top 20 from 1988-1991, but fell to the 70s in the years leading up to the Asian Crisis and worse situation is it has been ranked 107s in the year 2004. This was largely due to the negative image

it projected after it imposed capital controls in 1998, during the Asian Currency Crisis. FDI is mainly diverted to Brunei Darussalam, China Viet Nam, Peru, and Singapore. From the experience of economic crisis Thailand took outward looking policies and as well as technology development strategy. Continuation of this strategy Thai government imitated several regional agreements like CTFTA (2003), China ASEAN FTA (2001) TAFTA (2005), TZCEP (2005), and TJEPA (2007) which bring technological development and performance rate become better than earlier and FDI gradually increases. For instance Australian investment in Thailand is US \$1,398 million in 2007, which is 29.2% increase in relative to the year 2006⁷³.

Thailand reduces its tariff and non-tariff barriers, other administrative rules and regulations for these regional agreements. Trade expansion is not as much as Thailand deserved from TAFTA and TZCEP and volume of trade share in Australia (3.3% exports, 2.6% imports) and New Zealand (0.4% exports, 0.2% imports) are extremely nominal. The Thai economy gains mostly from CTFTA and TJEPA regional agreement, a lion share of Thai export and imports are with China and Japan (Appendix E & F). Due to sharp tariff and non-tariff reduction create a negative impact on the domestic infant industries and agricultural sectors of the Thai economy. In view of early harvest programmers under China ASEAN FTA and CTFTA; Thailand and China imposed zero tariff rates on vegetables and fruits that result Thai domestic vegetables and fruits lose their share in domestic market and which create an “exclusion effect” of some Thai agricultural product.

A partial free trade agreement (FTA) between Thailand and China has led to a decline in Thailand’s garlic output by 22% in three years. Study conducted by Kasetsart University, on “The Health Policy Foundation and FTA Watch” shown Thailand’s garlic production fell from 96,000 tons in 2004 to 75,000 tons in 2007, as cheaper imported garlic from China flooded the

market after the inking of the Thai-Chinese RTA in 2003⁷⁴. Researchers from Kasetsart University, studying the economic and social impact on the lower classes of RTA between Thailand and China added that the people in the North and Northeast are suffering in terms of higher debt burdens. Professor Detcharat Sukkamnerd has shown, the product price is now in the hands of a few big importers and they control upon the whole market, which implies market distortion, as well as consumer welfare reduction. The welfare gains are offset by the drastic increase in percentage of consumer price (4.54% in 2005 and 4.64% in 2006) and producer price (Table1). Even though, CEIs Sydney, Australia's pre studies on the welfare effect of TAFTA, joint commission study report on TNCEP and simulations on ASEAN+3 and AFTA predicted that absolute gain will be bigger for Thailand, Indonesia, Malaysia and Viet Nam⁷⁵. Thai consumers are comparatively better off as they can enjoy the dairy product, fruits and vegetable at a cheaper rate and export also increases gradually in China and Japan (Appendix E). These gains are little bit offset by the drastic increase in percentage of consumer price (4.54% in 2005 and 4.64% in 2006) and producer price (Table1).

5.5 Regional Trade Agreement (RTA) will make a smooth path for multilateral negotiation of WTO.

Since 1996, when Thailand became the member of the WTO, Thailand has remained firmly committed to the creation of an open and fairer multilateral trading system. As such, Thailand has supported the WTO multilateral trading process and remains steadfast to the implementation of all WTO provisions and obligations and the Doha Development Agenda. As shown above, Thailand has amended and enacted several laws and regulations not only to open the domestic markets but also to facilitate the full and effective implementation of the WTO Agreement. For instance, under the TBT and SPS Agreements, Thailand has made 262 and 116

notifications, respectively. Thailand has enacted WTOs new Anti-dumping and Countervailing Act in 1999.

Regardless, the Thai government has smoothly implemented the harmonized system (HS) by 2007. Thailand has amended the Trademark Act in 2000, and the Patent Act in 1999 and also enacted the Copyright Act B.E. 2537 (1994), the Plant Varieties Protection Act B.E. 2542 (1999), the Protection of Layout Designs of Integrated Circuits Act B.E. 2543 (2000), the Trade Secrets Act B.E. 2545 (2002), and the Protection of Geographical Indications Act B.E. 2546 (2003). Other than that the Thai government has enacted a new Foreign Business Law and a Trade Competition Act in 1999 so as to promote foreign direct investment and fair business practices.

Thailand has fully implemented the Uruguay Round Final Schedule on tariff concession. On Agriculture, Thailand has progressively reduced tariffs on 748 items, which must be reduced by 24 % by 2004 as scheduled. Also, in place of non-tariff barriers, Thailand now applied tariff quotas for 23 items. Moreover, Thailand has continued to reduce domestic support on agricultural sector, for example support reduced from 22,000 million Baht to 19,000 million Baht by 2004. The phase-out plan for the dairy industry to eliminate local content requirement on dairy product has been completed. Thailand terminated this local content requirement measures on dairy product on 31st December 2003. The local content requirement on automobile parts and accessories was abolished in 2000. Other than this Thailand promulgates Safeguard Measures Act, B.E. 2550, which has come into force on 6th April 2008.

Regional trade agreements made the Thai economy in a cooperatively better position, in terms of trade. Thailand completely liberalized its service sectors especially in the free trade agreement like TAFTA, TZCEP, and JTEPA. Service sector an influential part of Thai export as 60% export earning comes from service sectors. Through the expansion of service sector

employment in service sector increase moderately. Telecommunication, real estate, education, human development training, and tourism sectors expanded its work. ECOTECH has played an inevitable role in helping less developed member economies strengthen their capacity to catch up with and to benefit from the liberalization process. Income gap between developed and developing countries increases constantly. In such circumstances, enhanced ECOTECH cooperation has become all the more important to ensure the shared development among APEC member economies. Thailand is also working to promote technological development with other APEC member countries through RTA negotiation and this will in turn promote sustainable development and heighten the spirit of community.

In the Asia Pacific region labor movement from low to high productivity and large accumulation of machinery cooperation of technology transfer to member economies induces remarkable growth in labor productivity. This region has extended the highest labor productivity (5.4%) from 2000 to 2005. Thailand is also actively participating in the expansion of labor productivity through bilateral investment treaty and RTAs with potential economies that help Thai economy to compete in the world economy. Now, Thailand actively participated in APEC and WTO forums with respect to work undertaken in the area of mobility of business people.

CHAPTER 6

POLICY RECOMMENDATIONS FOR APEC

This research find that trade liberalization has huge impact on the developing economy like Thailand. From the analysis of hypothesis with empirical data we can gaze that drastic liberalization on trade is not to a great extent for the welfare and development. Thailand adopted early harvest program through CTFTA that cause exclusion effect in some agricultural product. Even though Thai economy is expanding towards industry and service sectors, agriculture is still important sector in Thai economy and it contributes 11% on its GDP. Sharp liberalization negatively impact on agricultural growth which indicate liberalization should take place step by step and there need some transitional period to absorb external shock. From the analysis we also find that growth in service sector push up the economic growth in Thailand and in some sense it indicates that Thai economy is overcoming the Asian crisis in 1997/98. Reduction of unemployment, growth of exchange rate in terms of dollar enhances its economic power, balance of payment as well as bargaining capacity. Political disturbance in 2006, rapid change in policies and sharp tariff reduction in agricultural sector results Thai economic growth at steady level from 5% to 4.7%.

(1) It is well known that RTA among the countries increases their consumer welfare, production efficiency and reduce the income inequality. Actually this theme is theoretical and its effect depends upon the conditions of the treaty and bindings of the members. Terms and conditions, rules of origin, technical support, investment liberalization conditions all the technical terms generates whether a country will gain from the treaty or not and what will be the impact on the domestic sensitive sectors. As Thailand is a faster growing developing country it

should build up its negotiation capability with the other country that will ensure the bigger gain than the losses. Pre qualification study is essential for a better RTA; it may be joint commission study or an individual research institute, which will calculate all the macroeconomic aspect and sectoral position of each country through this agreement. Thailand should also develop research commission under the joint collaboration of Ministry of Trade and Ministry of Foreign Affairs which will evaluate pre and post impact of RTA and other treaties and give a proper guideline to resolve the problem.

(2) Benefic from free trade arrangements depends on the country's macroeconomic stability, good governance, and sound infrastructural position. Thai economy is passing its transitional period development. To increase its gain from RTA trade liberalization is one of the conditions and along with this government has to establish good governance, macroeconomic stability and infrastructural position to accommodate foreign investors. The Bank of Thailand and Borough of Investment (BOI) can take a strong role for macroeconomic stability. Good governance is very much related with the democratic government of a country and last three years there are some political instability in Thailand and it badly effect the economic growth, investment and trade gain. Democratic government should reflect people's desire in the policy implementation and take necessary steps against corruptions. With the collaboration of other partner countries Thailand can ensure the infrastructural improvement which will facilitate both the domestic and foreign investors.

(3) Successful economic development involves accumulating physical and human capital and reducing of knowledge gap between the developing and developed countries. The economic success of Thailand depends on effective and market friendly government interventions. Key elements related to development are promotion of high levels of domestic savings and

investment, efficient allocation of investment funds, sound fiscal and monetary policies, and accumulation of human capital. Development history of East Asia reflects that FDI seems to an important mechanism for the transfer of technology and knowledge. FDI is not only transfer of capital but also transfer of knowledge and FDI depends on the inward performance of projects. So human capital development, transfer of knowledge, FDI inflows all are correlated with each other. Early 90th Thailand was in favorable position in FDI inflows but now other neighbor countries captures that position. Administrating reform, proper fiscal and monetary policy adoption, technology transfer from developed partner countries can ensure Thai economic development and welfare of consumer. Moreover government of Thailand should encourage the investment on R & A and promote the human development training.

(4) Agricultural, industrial and service are equally important for balance economic growth. Even though service sector accounted 60% of export earning in Thailand, agricultural and industrial sectors also posses the same importance for its economy. Thai government has to emphasize on the industrial and agricultural along with the service sectors at the time of policy formulation. Agricultural sector is an important sector for Thai economy as it accounts 10% of its GDP growth rate. At the time of taking liberalization policy it should consider gradual liberalization. Especially in sensitive agricultural sectors, infant industry protection, and export promotion policies should be consider on the priority basis. As we have seen early harvest program under CTFTA creates exclusion effect in some agricultural sectors. Tariff cut policy should consider transitional period which will help the domestic agricultural producers to adjust with the new policy and market competition with the imported product. Govt. of Thailand should adopt some policies to protect infant industry and promote export promotion incentive to the industry which will help the domestic industry to compete in the world economy.

(5) The fruits of economic growth are not always equally distributed. Unequal distribution of income causes expanding income disparity among the people which results in political and social unrest. In the case of Thailand, people in the North and Northeast are suffering in terms of higher debt burdens which has caused its political turmoil and social unrest. Recently, opposition groups have blocked Thai airports, which will affect other investment and tourism sectors. A stable political government can ensure equal distribution, investment growth, and a sound and orderly situation.

CHAPTER 7

CONCLUSION AND REMARKS:

There is extended argument that wide range RTAs facilitate to extend countries trade, FDI, expansion of R&D program, GDP growth and the overall economic growth of a country. In reality it varies from country to country depending upon the policy adoption. For instance SUSFTA benefits the Singapore to continue its economic growth and consumer welfare which move forward to be the best economic power in East Asia. Meanwhile Mexico could expand its growth rate below 1% being a member of NAFTA. Overlapping RTAs might cause more trade diversion than trade creation which effects the investment, welfare of the consumer and overall development.

There is some ambiguity in APEC's internal and external relations among the members. Even though it declared tariff cutting program and achieve free trade in this region by 2020, but they fail to set up their vision and achieve the goal. Bogor Goal is the mission of APEC and member economies have not reach any consensus how to fulfill this target. APEC leaders have never seriously discussed about what will be the faith of trade liberalization and whether they will establish an APEC base RTAs. In reality, negotiation on trade liberalization has become a regular agenda in every APEC ministerial meeting and it makes pressure to the versatile interest of member economies. Wide range flexibility in the members IAPs of liberalization in tariff and non-tariff barriers creates extensive tension of free rider problem.

APEC policymaker should encourage regional central banks to place their exchange rate objectives and deeply-held concerns for excessive exchange rate volatility within a flexible CPI-inflation targeting regime framework. This policy adoption will anchor domestic monetary

policies and regional monetary cooperation to underlying welfare-based fundamentals. To extend the regional exchange rate stabilization APEC regional central banks can construct a common APEC Currency Unit based on both trade flows and capital flows. For instance EU common currency Euro becomes stronger than Dollar and it facilitate trade flows among the EU member countries. This would allow APEC policymakers in policy independence and sovereign flexibility, opportunities for deep macroeconomic policy cooperation, and an explicit exchange rate coordination mechanism.

APEC has inconsistency with the principles of the multilateral trading system. GATT Article XXIV extensively allows FTA and CU as exceptions to unconditional MFN treatment. Tariff and non-tariff barrier liberalization and free trade region by 2010 and 2020 is violation unconditional MFN treatment as APEC member are getting the facilities of low tariff rate and other WTO members are excluded from that treatment. In future this action may challenged by the international community or loser country. APEC is a forum where both developed and developing countries are member and their focus of interest differs from each others. Developed countries are interested on environment, investment, labor, deregulations and administrative reform whereas developing countries labor movement, investment, infrastructure development, technical support. These differences in thinking and ideology makes problem to reach a fruitful common goal. Meanwhile, member countries become reluctant in their commitment and trying to negotiate bilateral negotiation with other members and non-member countries which creates overlapping of RTAs, trade diversion, Hub and Spoke effects.

USA is much concern about NAFTA members than APEC forum and maintains a geo political strategy in negotiation of RTAs with Asia and Pacific countries. It completed RTAs with only Japan, South Korea and Singapore. Japan and China has become bandwagon in

negotiating RTAs in major East Asian countries. Singapore and Thailand are active in negotiating and concluding RTAs. This practice ruins the APEC integrity and its becoming a forum of table talk of large commitments without any action.

To resolve the problem and back in its powerful image APEC member countries should seriously about merge in a trading blocs or APEC FTA and common market like EU. This will boost up free movement of capital, investment and labor with the transfer of technical cooperation from the developed to developing countries. APEC's relationship with the WTO largely depends upon its contributions to a successful launch and completion of millennium round of the WTO. Now it's time for APEC to consider seriously about its long term vision and this vision should be related with the multilateral negotiation of the WTO.

Appendix A

Unweighted average tariffs on APEC economies from 1998 to 1996

Country	1988	1993	1996
Australia	15.6	9	6.1
Brunei Darussalam	3.9	3.9	2
Canada	9.1	8.8	6.7
Chile	19.9	14.9	10.9
China	40.3	37.5	23
Hong Kong, China	0	0	0
Indonesia	20.3	17	13.1
Japan	7.2	6.5	9
Republic of Korea	19.2	11.6	7.9
Malaysia	13	12.8	9
Mexico	10.6	12.8	12.5
New Zealand	15	8	7
Philippines	27.9	23.5	15.6
Singapore	0.4	0.4	0
Taiwan	12.6	8.9	8.6
Thailand	40.8	37.8	17
United States	6.6	6.6	6.4
Average	15.4	12.9	9.1

Source: 1998-1993 from APEC (1995a), data from UNCTAD 1996 from APEC member's Independent Action Plan

Appendix B

Real GDP Growth in APEC Member Economies, 2000 - 2007 (Annual Percent Change)

Country	2000	2001	2002	2003	2004	2005	2006	2007
Australia	3.4	2.1	4.1	3.0	3.8	2.8	2.8	3.9
Brunei Darussalam	2.9	2.7	3.9	2.9	0.5	0.4	5.1	0.4
Canada	5.2	1.8	2.9	1.9	3.1	3.1	2.8	2.7
Chile	4.5	3.5	2.2	4.0	6.0	5.7	4.0	5.0
China, People's Republic of	8.4	8.3	9.1	10.0	10.1	10.4	11.1	11.4
Hong Kong, China	8.0	0.5	1.8	3.0	8.5	7.1	7.0	6.3
Indonesia	5.4	3.6	4.5	4.8	5.0	5.7	5.5	6.3
Japan	2.9	0.2	0.3	1.4	2.7	1.9	2.4	2.1
Korea	8.5	3.8	7.0	3.1	4.7	4.2	5.1	5.0
Malaysia	8.7	0.5	5.4	5.8	6.8	5.0	5.9	6.3
Mexico	6.6	0.0	0.8	1.4	4.2	2.8	4.8	3.3
New Zealand	3.9	2.7	5.2	3.4	4.5	2.8	1.5	3.0
Papua New Guinea	-2.5	-0.1	-0.2	2.2	2.7	3.4	2.6	6.2
Peru	3.0	0.2	5.0	4.0	5.1	6.7	7.6	9.0
Philippines	6.0	1.8	4.4	4.9	6.4	4.9	5.4	7.3
Russia	10.0	5.1	4.7	7.3	7.2	6.4	7.4	8.1
Singapore	10.1	-2.4	4.2	3.5	9.0	7.3	8.2	7.7
Chinese Taipei	5.8	-2.2	4.6	3.5	6.2	4.2	4.9	5.7
Thailand	4.8	2.2	5.3	7.1	6.3	4.5	5.1	4.8
United States	3.7	0.8	1.6	2.5	3.6	3.1	2.9	2.2
Vietnam	6.8	6.9	7.1	7.3	7.8	8.4	8.2	8.5

Note: Local currency based.

Source: IMF, World Economic Outlook, April 2008.

Rank of APEC Member Economies in World Trade - 2007

Country	Export Position	Import Position
Australia	27 th	20 th
Brunei Darussalam	88 th	144 th
Canada	10 th	10 th
Chile	40 th	46 th
China, People's Republic of	2 nd	3 rd
Hong Kong, China	13 th	12 th
Indonesia	32 th	32 th
Japan	4 th	4 th
Korea	11 th	13 th
Malaysia	19 th	25 th
Mexico	15 th	14 th
New Zealand	61 th	52 th
Papua New Guinea	99 th	131 th
Peru	59 th	67 th
Philippines	48 th	45 th
Russian Federation	12 th	16 th
Singapore	14 th	15 th
Chinese Taipei	16 th	17 th
Thailand	25 th	24 th
United States	3 rd	1 th
Vietnam	50 th	41 th

Source: World Trade Organization trade statistics data base.

Appendix D

Main Import and Export Partner of APEC Member Economies 2007

Country	Export Partner	Import Partner
Australia	Japan, Canada, EU	EU, China, USA
Brunei Darussalam	Japan, Indonesia, Korea	Malaysia, Singapore, Japan
Canada	USA, EU, China	USA, EU, China
Chile	EU, USA, Japan	USA, EU, Argentina
China, People's Republic of	EU, USA, HK.China	Japan, EU, Korea
Hong Kong, China	China, EU, USA	China, Japan, T.China
Indonesia	Japan, EU, USA	Singapore,, China, EU
Japan	USA, China, EU	China, USA, EU
Korea	China, EU, USA	China, Japan, USA
Malaysia	USA, Singapore, EU	Japan, China, EU
Mexico	USA, EU, Canada	USA, EU, China
New Zealand	Australia, EU, USA	Australia, EU, China
Papua New Guinea	EU, Australia, China	Australia, USA, Singapore
Peru	USA, EU, China	USA, China, EU
Philippines	EU, USA, Japan,	USA, Japan, EU,
Russia Federation	EU, Turkey, Ukraine	EU, China, Turkey
Singapore	Malaysia, EU, China	USA, EU, China
Chinese Taipei	China, HK.China, USA	Japan, China, USA
Thailand	EU, USA, Japan	Malaysia, Japan, China
United States	Canada, EU, Mexico	EU, China, Canada
Vietnam	USA, EU, Japan	China, Singapore, T.China

Source: World Trade Organization

Appendix: E

Thailand's Trade Share with the other potential Trade Partners:

Country		2000	2001	2002	2003	2004	2005	2006	Trade
Thailand	Exp	68963	65113	68850	80318	96242	110174	130783	Share in %
World Total	Imp	61923	62057	64721	75824	94410	118158	128634	
USA	Exp	14706	13246	13522	13669	15498	16950	19670	15%
	Imp	7291	7198	6197	7185	7271	8724	8673	6.5%
EU	Exp	11241	10854	10566	12229	14364	14955	18099	14%
	Imp	6489	7830	7312	7822	9434	10782	11241	8.7%
Japan	Exp	10164	9964	10000	11395	13459	14986	16571	12.6%
	Imp	15315	13881	14902	18267	22379	26029	25845	20%
China	Exp	6285	6168	7257	10043	12029	15234	19033	14.5%
	Imp	4262	4537	5840	7144	9515	12664	15198	11.8%
Australia	Exp	1615	1358	1640	2167	2460	3151	4384	3.3%
	Imp	1160	1380	1506	1585	2210	3255	3439	2.6%
New Zealand	Exp	182	182	205	267	329	518	513	0.4%
	Imp	196	210	189	212	238	258	320	0.2%
Malaysia	Exp	2813	2722	2835	3887	5296	5781	6667	5%
	Imp	3344	3078	3640	4540	5549	8093	8470	6.6%
Singapore	Exp	5997	5287	5554	5873	7009	7643	8421	6.4%
	Imp	3416	2854	2904	3270	4153	5377	5732	4.4%

Source: IMF, 2007. Direction of Trade Statistics Yearbook 2007 Page 496

Trade share of Thailand with China is calculated addition of China Republic, Hong Kong and China. Macao. Export and import are in Millions of US\$.

Appendix: F

Thailand's Trade Share with the Other Impotent Trade Partners and economic effect of RTAs :

Country		2000	2001	2002	2003	2004	2005	2006	Trade
Thailand	Exp	68963	65113	68850	80318	96242	110174	130783	Share 2007
World Total	Imp	61923	62057	64721	75824	94410	118158	128634	
USA	Exp	14706	13246	13522	13669	15498	16950	19670	Imitating FTA
	Imp	7291	7198	6197	7185	7271	8724	8673	
EU	Exp	11241	10854	10566	12229	14364	14955	18099	Imitating closer pat
	Imp	6489	7830	7312	7822	9434	10782	11241	
Japan	Exp	10164	9964	10000	11395	13459	14986	16571	JTEPA Nov.2007
	Imp	15315	13881	14902	18267	22379	26029	25845	
			-.2	+1	+1.14	+1.34	+1.11	+1.1	
			-.10	+1	+1.22	+1.22	+1.16	-.01	
China	Exp	6285	6168	7257	10043	12029	15234	19033	CTFTA Oct.2007
	Imp	4262	4537	5840	7144	9515	12664	15198	
			-.02	+1.77	+1.38	+1.10	+1.27	+1.25	
			+1	+1.29	+1.22	+1.33	+1.33	+1.2	
Australia	Exp	1615	1358	1640	2167	2460	3151	4384	TAFTA Jan.2007
	Imp	1160	1380	1506	1585	2210	3255	3439	
			-.16	+1.2	+1.32	+1.13	+1.28	+1.4	
			+1.18	+1.1	+1	+1.4	+1	+1	
New Zealand	Exp	182	182	205	267	329	518	513	ZTCEP July.2007
	Imp	196	210	189	212	238	258	320	
			0	+1.12	+1.3	+1.23	+1.57	-.1	
			+1	-.1	+1.12	+1.12	+1	1.24	

Source: IMF, 2007. Direction of Trade Statistics Yearbook 2007 Page 496

Trade share of Thailand with China is calculated addition of China Republic, Hong Kong and China. Macao. Export and import are in Millions of US\$.

FTA of Thailand

Signed Bilateral FTAs	Enforcement Date
China Thailand FTA	Oct-03
Thailand Australia Free Trade Agreement	Jan-05
Thailand New Zealand Closer Economic Partnership	Jul-05
Japan Thailand Economic Partnership Agreement	Nov-07
Proposal Bilateral FTAs	Negotiation
USA Thailand FTA	Jun-05
Peru Thailand FTA	Jun-05
India Thailand FTA	
Thailand – EFTA Free Trade Agreement	Jun-05
Multilater Reional Agreement	Position
China ASEAN FTA	Active
China ASEAN + 6 FTA	Active
ASEAN Japan FTA	Negotiation complete
ASEAN +3 FTA	Negotiation
ASEAN+CER	Negotiation complete
ASEAN Korea FTA	Negotiation
ASEAN India FTA	Negotiation
ASEAN CEP + BIMISTEC	Negotiation
Future Plans Regional Agreements	
East Asia Free Trade Area	
Comprehensive Economic Partnership in East Asia	

Source: Individual Action Plan of Thailand to APEC 2008

Inward FDI Performance Index Ranking

Country	1990	1995	2000	2002	2003	2004	2005	2006
Australia	16	46	91	64	69	40	111	
Brunei Da.	93	18	7	5	1	2	2	
Canada	38	68	34	34	75	97	97	
Chile	8	20	18	32	33	24	25	
China, Pe. Rep.	52	12	54	48	43	45	55	
H.K. China	3	13	2	3	8	6	3	
Indonesia	57	60	138	139	139	133	112	
Japan	110	128	128	133	136	134	131	
Korea	83	119	98	110	120	114	114	
Malaysia	4	6	53	74	82	64	62	62
Mexico	36	42	74	65	62	77	75	82
New Zealand	5	10	58	50	58	60	70	58
Papua N.G.	2	8	52	96	92	101	104	129
Peru	95	14	78	80	71	74	72	70
Philippines	28	43	85	94	110	103	115	102
Russia		111	104	112	97	89	87	87
Singapore	1	2	5	6	6	7	5	5
Thailand	17	72	46	87	90	107	49	52
United States	43	91	76	92	113	116	120	117
Vietnam	45	4	39	54	46	52	53	78

Source: UNCTAD

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Table 1 Thai Economy at a glance

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exports, f.o.b.	56	56	57	54	58	69	65	68	80	96	110	131
Imports, f.o.b.	71	72	63	43	50	62	62	65	76	94	118	129
Exp. Unit/Exp.p	109.5	119.1	117	103.7	100.5	100	101.3	96.2	104.9	117.9	129.8	138.9
Imp. Unit/Imp.p	94.7	107.2	104.1	95.7	92.2	100	108.6	101.4	106	120.3	139.8	150.5
Total Reserves	24293	26326	19490	20559	24905	24655	25832	28073	27734	31430	35561	43495
Terms of Trade	-3.2	-3.9	1.2	-3.7	0.7	-8.3	-6.8	1.8	4.3	-1	-5.3	-0.6
GDP Volume	3.17	8.74	4.91	4.31	-3.18	4.8	2.2	5.3	7.1	6.3	4.5	5.1
Producers prices	8.2	1.8	5.1	12.2	-4.7	3.9	2.5	1.7	4	6.7	9.1	7.1
Consumer Prices	5.8	5.83	5.6	8.07	0.3	1.57	1.64	0.62	1.8	2.77	4.54	4.64
Gross Cap. F % GDP	42.09	41.82	33.66	20.45	20.5	22.84	24.1	23.8	24.92	27.09	31.61	27.89
F.Con.Exp % of GDP	63.07	63.96	64.74	65.21	67.46	67.46	68.61	68.32	67.87	67.79	68.74	67.7
Gross D. I. % of GDP	42.10	41.80	33.70	20.40	20.50	22.80	24.10	23.80	25.00	26.80	31.50	27.90
Nominal Excha. Rate						40.11	44.43	42.96	41.49	40.22	40.22	37.88

Sources: International Financial Statistics Yearbook 2007, Statistical Yearbook for Asia and the Pacific 2007 (Gross Domestic Investment). Total Export and Import measures in Billions of US Dollars, Total Reserves measures in Millions of US dollars For Exp. Unit Value Export price and Import price. Unit Value per Import price indicates unit value (prices) in terms of Dollars: 2000=100 Terms of Trade, GDP Volume, Producers price, Consumers price calculated % change over previous year; calculated from indices

Endnote

¹ Conversations on Growth, Stability and Trade An Historical Perspective by Brian Snowdon page 225

² Implications of the APEC process for intraregional trade and investment flows (page 104). Paper and proceedings Presented at the Seminar on the Implications of the APEC Process for Intraregional Trade and Investment Flows in Asia and the Pacific September 1997, Bangkok under the Japan ESCOP Cooperation Fund. Published by United Nations New York, 1998

³ Implications of the APEC process for intraregional trade and investment flows (page 91).

⁴ Economic and Social Survey of Asia and the Pacific 2008 United Nations (p 93, 94)

⁵ Statistical Yearbook for Asia and the Pacific 2007 page 140

⁶ “Individual Action Plane” and “Collective Action Plane” was endorsed for advancing liberalization and facilitation of goal in the APEC 12th Ministerial Meeting in Buaran Seri Begawan, Brunei Darussalam, in November 2000.

⁷ “APEC and the rise of the global middle class” Article by Australian Department of Foreign Affairs and Trade.

⁸ 19th Ministerial Meeting held in September 2007 in Sydney, Australia.

⁹ “Implementations of the APEC Process for Intraregional Trade and Investment Flows” Studies in Trade and Investment 33 – (Page 56) United Nations, New York, 1998

¹⁰ Data from UNCTAD 1996 from APEC members’ Individual Action Plans see table 1

¹¹ Economic and Social Survey of Asia and Pacific 2008 (page 131)

¹² Sapir, 1995: The Europe Agreements: Implications for Trade Laws and Institutions. In foundations of an Open Economy: Trade Laws and Institutions for Eastern Europe, edited by L. Alan Winters.

¹³ In the 17th and 19th Ministerial Meeting APEC leaders committed to set up a full content well accepted Regional Trade Arrangements and Free Trade Agreement by 2008. Most of the APEC countries are engaging in regional and bilateral agreement but its terms and conditions sometimes create exclusion effect. For website information (http://www.apec.org/apec/ministerial_statements/annual_ministerial/2005_17th_apec_ministerial.html)

¹⁴ Theme of the 17th APEC Ministerial Meeting in Busan Korea in 2005.

¹⁵ Source: ESCAP, based on national sources; ADB, Key Indicators of Developing Asia and Pacific Countries 2007 (Manila, 2007) and ESCAP estimates. Growth rates for 2007 are estimates industry comprises mining and quarrying; manufacturing; electricity, gas and power, and construction.

¹⁶ “Trade, Investment and Financial Integration in East Asia” Hwee Kwan Chow, Peter N. Kriz, Roberto S. Mariano* and Augustine H. H. Tan, School of Economics and Social Sciences Singapore Management University March 30, 2005. Final report prepare for the ASEAN+3

¹⁷ In the automotive industry, for instance, Shanghai GM and Shanghai Volkswagen are expanding their existing R&D center. Source: UNCTAD, based on the Locomonitor

database (www.Locomonitor.com)

¹⁸ Economic and Social Survey of Asia and the Pacific 2008, Standing Growth and Sharing Prosperity page; 98

¹⁹ ESCAP simulation is based on the Global Trade Analysis Project (GTAP) model to estimate the welfare effect. Under ASEAN+3 Australia, India and New Zealand will lose welfare as they lose the market access to China, Japan, and Korea. Simulation resulted, 0.04% and 0.55% GDP will be gained by the member countries through ASEAN+3 and ASEAN+6 arrangements respectively.

²⁰ “Trade, Investment and Financial Integration in East Asia” Hwee Kwan Chow, Peter N. Kriz, Roberto S. Mariano* and Augustine H. H. Tan, School of Economics and Social Sciences Singapore Management University March 30, 2005. Final report prepare for the ASEAN+3

²¹ Article on “Trading Blocs and US-Japan Relations in Pacific Trade and Cooperation” John H. Park (International Trade: Regional and Global Issues Edited by Michale Landeck)

²² Article on “Trade Blocs and US-Japan Relations in Pacific Trade and Cooperation” by Jonh H. Park (International Trade: Regional and Global Issues edited by Michael Landdeck

²³ Regional Agreements: the ‘pepper’ in the multilateral ‘curry’ the paper was presented on the 17th 2007 on Confederation of Indian Industries Partnership Summit 2007 Emergent India: New Roles and Responsibilities

²⁴ Data quoted from http://stat.wto.org/country_profiles/TH_e.htm)

²⁵ Statistical Yearbook for Asia and the Pacific 2007 Table 19.2, page 126

²⁶ Thai trade facilitation report 2007

²⁷ APEC Economic Policy Report 2007 “Thailand approach to investment measures in 2007” page 17 Website: www.apec.org

²⁸ Free Trade Agreement between Thailand and Australia (Goods) report prepared by Committee on Regional Trade Agreements page 5. For full document website http://www.thaifta.com/fta_thau.pdf and http://www.dfat.gov.au/trade/negotiations/aust-thai/tafta_toc.html

²⁹ Page 6 to 10 of Free Trade Agreement between Thailand and Australia (Goods) report prepared by Committee on Regional Trade Agreements

³⁰ For better understand of “Standstill Clause” see the Dictionary of Trade Policy Terms Fifth Edition page-400.

³¹ Article 403.2 of Australia Thailand Free Trade Agreement and Annex 4.1 Here Build-down method is used in the administration of rules of origin to establish whether a good imported from other party to a free trade agreement qualifies for the preferential tariff. Formula $RVC = (AV - VNM) / AV * 100$ Dictionary of Trade Policy Terms Fifth Edition page 66

³² Page 7 of Free Trade Agreement between Thailand and Australia (services) report prepared by Committee on Regional Trade Agreements.

³³ Page 14 to 17 of Free Trade Agreement between Thailand and Australia (services) report prepared by Committee on Regional Trade Agreements.

³⁴ Thailand Country Brief - September 2008 political review by Australian ministry of foreign affair and trade

³⁵ Thailand Country Brief - September 2008 political review by Australian ministry of foreign affair and trade

³⁶ Feasibility presentation on CEP Agreement between Thailand and New Zealand by the committee on Regional Trade Agreements of WTO, website www.wto.org/english/tratop_e/region_e/region_e.htm

³⁷ Join Investigation Committee report on TNCEP 2004 (www.mffat.gov.nz)

³⁸ Feasibility presentation on CEP Agreement between Thailand and New Zealand by the committee on Regional Trade Agreements of WTO page 5 to 9 and Annex 1 of the TZCEP agreement, website www.wto.org/english/tratop_e/region_e/region_e.htm

³⁹ Feasibility presentation on CEP Agreement between Thailand and New Zealand by the committee on Regional Trade Agreements of WTO page 14

⁴⁰ “Treaty of Waitangi” is New Zealand’s agreement which was signed by British Queen and Maori Chiefs in 1840 to protect the right of Maori people and now it become a common law in New Zealand. New Zealand passage the right to change the agreement which is inconsistent with this treaty. New Zealand includes this clause in all the treaty or agreement.

⁴¹ Join Investigation Report of a Closer Economic Partnership Agreement between Thailand and New Zealand - 2004

⁴² Thailand trade report website www.org

⁴³ Statistics are taken from WTO websites www.wto.org/countryprofiles/TH_e.htm

⁴⁴ Statistical Yearbook for Asia and the Pacific 2007 page 126

⁴⁵ Statistical Yearbook for Asia and the Pacific 2007 page 135

⁴⁶ E-book from Ministry of Foreign Affairs and Trade “The New Zealand Thailand Closer Economic Partnership” P. 13 (www.mfat.govt.nz/downloads/trade-agreement/thailand/nzthai)

⁴⁷ Agence France Press, in Japan-Thailand trade pact takes effect published on November 02, 2007, reported on the first meeting between Thai and Japanese foreign ministers for the implementation of JTEPA.

⁴⁸ Task Force Report on Japan Thailand Economic Partnership Agreement December 2003

⁴⁹ Gerry Albert Corpuz, in Japan’s EPA strategy targets East Asia published in UPI Asia on January 24, 2008, reported on the publication by the Philippines’ IBON Foundation which argued Japan intentionally increased its regional influence in East Asia through economic partnership agreements.

⁵⁰ Noppadon Pattama, current Minister of Foreign Affairs of Thailand, on May 09, 2007, addressed at the press conference that “Japan is the key strategic partner in Thailand and the region.”

⁵¹ Task force report on Japan-Thailand economic partnership agreement reported that Japan’s Official Development Assistance (ODA) to Thailand amounted to USD 209.59 million in 2001 while the total amount of the assistance has reached USD 9,093.34 million since 1967- 2000

⁵² World Trade Organization. Statistics of international trade.

⁵³ The major exports and imports are quoted from http://www.economywatch.com/world_economy/thailand/export-import.html and

<http://www.japan-guide.com/e/e644.html>

⁵⁴ The figure is quoted from the table of tariff of Thailand, at the WTO website.

⁵⁵ The task force report on Japan-Thailand economic partnership agreement is annexed with Quantitative Analysis Study. The study applied the Computational General Equilibrium to estimate the economic effects of trade liberalization between Japan and Thailand.

⁵⁶ Agency France Press. Japan-Thailand trade pact takes effect, published on November 02, 2007. However, the factual presentation of the agreement by the Committee on Regional Trade Agreement to be released in the future is needed to confirm this claim.

⁵⁷ Article 18 and Annex 1 to Article 18 of JTEPA

⁵⁸ Article 20, 21, and 22 of JTEPA

⁵⁹ Article 28.2 of JTEPA: Live animals, agricultural and fishery products, natural substances, raw materials, waste and scrap, produced, extracted or consumed in the exporting party, and products made thereof.

⁶⁰ Non-originating materials, which do not under a change in tariff classification, shall have the maximum value or weight of no more than 7% for chapter 19 through 24, and 10% for chapter 26 through 49, 64 through 97, and 50 through 69.

⁶¹ Article 27, 28, 29, and 32 of JTEPA

⁶² Either party shall consider providing most-favored nation treatment for the other party upon request, when it enters into future agreement with non-party.

⁶³ Article 75, 79, 80, 93, 96, and 103 of JTEPA

⁶⁴ Annex 2 to chapter 9 of JTEPA: Specific commitment for the movement of natural persons

⁶⁵ Japan imported agricultural products of about 11.3% of her total imports in 2006. This figure is quoted from trade profile statistics from the World Trade Organization's website.

⁶⁶ Siriporn Sachamuneewongse, in Trade deal: An opportunity and challenge, presented the table of tariff concession. The MFN tariff for automobile with engine of over 3,000 cc was 80% and it is reduced to 60% and will remain constant in four years until renegotiation.

⁶⁷ The task force report on Japan-Thailand economic partnership agreement

⁶⁸ Only intra-corporate employees, investors, legal, accounting and taxation services suppliers qualified under Japanese law", instructors, and those engaging in business activities of advanced knowledge and technology will legally get this benefit.

⁶⁹ According to statistical data of World Trade Organization USA, Japan and EU three main exporting partner. And Japan China and USA are main importing partners.

⁷⁰ Thailand's Individual Action Plan 2008, APEC

⁷¹ Thailand's Individual Action Plan 2008, APEC and WTO webpage

⁷² World Investment Report 2006 page 120

⁷³ Thailand Country Brief - September 2008 political review by Australian ministry of foreign affair and trade

⁷⁴ The Nation newspaper reported on the study conducted by Kasetsart University, 'The Health Policy Foundation and FTA Watch' which shows garlic production in Thailand drastically reduced as domestic product couldn't compete with the chief Chinese product.

⁷⁵ Economic and Social Survey of the Asia and the Pacific 2008 page 100

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