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Thailand Australia Free Trade Agreement: Sustainable Trade for Thailand

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ABSTRACT

Thailand, as a major trading nation, has been entering into trade agreements for centuries. In ancient time trade was informal and people to people. It gradually became more formal. The early trade agreements with European nations definitely advantaged them and disadvantaged Thailand. The question is: has the current emphasis on free trade agreements really benefitted countries like Thailand or are one or both parties to the agreements suffering as a result? This is based on the premise that lesser developed countries will lose benefits when they trade with developed countries. The consequences are very much dependent on the degree of commonality in the economies of the partner countries. One of the social impacts of any change in the economic structure of a country is the dislocation that this causes to some sectors of the economy. Is social dislocation an unavoidable outcome of a sustainable economy or should the focus be on ensuring the sustainability of all sectors of the economy? The Thailand Australia Free Trade Agreement (TAFTA) addresses this issue by allowing Thai industry time to adjust to the changed trading environment and provides Thailand with the opportunity to learn about Australia's trading system and use it as a stepping stone to meeting the standards of doing trade with other countries. TAFTA can be a model for other developing countries including other ASEAN members as they develop future Free Trade Agreements. Another interesting issue is how the parties to a Free Trade Agreement, who are also members of the World Trade Organization (WTO), can develop an agreement that meets all of the rules and regulations of the WTO.

Keywords: Free Trade Agreements, sustainability, economic impact, legal framework, Thailand

INTRODUCTION

Thailand has a long trading history and entered into its first treaty with a western power in 1516. This was followed by treaties with other European powers which often favored the trading partner rather than Thailand. Thailand's modern trading history commenced with its foundation membership of the WTO in 1995.

This paper describes the evolution of Thailand's international trade relations culminating in its membership of the World Trade Organization followed by its successful negotiation of its first free trade agreement with a developed country – the Thailand Australia Free Trade Agreement (TAFTA). It then discusses the legal framework of the agreement and the outcome of the scoping study commissioned by the Thai and Australian Governments. Finally, it outlines the benefits that accrued to Thailand from its successful negotiation.

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HISTORY OF THAILAND'S INTERNATIONAL TRADE RELATIONS

Early European Trade

Thailand's modern economic development commenced with the foundation of Ayutthaya as its capital in 1351. At this time it was already a river trading centre where people congregated together for trade and worship. Ayutthaya remained the capital for 417 years during which there were 33 kings and five dynasties – all absolute monarchs (Syamananda, 1993). The first treaty with a European country was a treaty of friendship and commerce with Portugal in 1516. In return for guns and ammunition, the Portuguese were allowed to reside at Ayutthaya and other trading centres where they purchased agricultural products. Commercial ties then followed with countries such as Spain in 1598, the Dutch in 1604, Japan, England in 1612 and France. Most of the ties such as those with England and Spain did not result in long term trade for Thailand.

Thailand was colonised by Burma twice during this period. The first was 1569 to 1590 and the second was in 1767 which ended in the sacking of Ayutthaya and the establishment of a new capital down river at Krung Thonburi by King Taksin following his defeat of the Burmese (Syamananda, 1993).

The history of Ayutthaya shows the importance of international relations and international trade to Thailand's economic development as its leaders were receptive to utilising the resources including skills brought by foreign powers, commercial operations and individuals.

When King Rama I (1782 to 1809) succeeded King Taksin he moved the capital across the river to Rattanakosin (Bangkok). King Rama I was faced with a major war with Burma and trade with the west was suspended and did not recommence as the western powers were preoccupied with their own affairs. Under Rama II (1809 to 1824) the relationship with western countries was restored and Portugal was invited to establish an embassy in Bangkok becoming the first western country so to do (Syamananda, 1993).

When John Crawford was sent by the East India Company to negotiate a trade treaty, trade was a royal monopoly as all goods belonged to the absolute monarchy with taxing and trading outsourced to Chinese merchants and tax-farmers who applied significant mark-ups (Syamananda, 1993). Unsurprisingly, the British were unhappy with the price of goods procured by this method and desired a commercial treaty which was more advantageous to them. The negotiations with Crawford broke down because the Thais required arms and ammunition in return for trading facilities and Thailand's insistence on a large sugar sale to Britain.

King Rama III (1824 to 1851) had a special interest in commerce (Syamananda, 1993). During this period the monarch established very strong trade relations with China. He also allowed Christian missionaries, especially from the United States to enter Thailand. The next king, Rama IV (1851-1868), further developed the relationships with foreign powers and the focus moved from international trade, alone, to trade development and security of its borders as Rama IV was of the opinion that Thailand would be unable to resist invasion by the European powers. Diplomacy was considered to be critical.

These early contacts opened the country to western ideas and helped Thailand to develop a tradition of trading with both European and Asian partners. The turning point came with the signing of the Bowring Treaty.

Bowring Treaty

In 1851 Thailand invited the British to negotiate a treaty of commerce and friendship (Terwiel, 1991). At the same time they had opened their economy to European traders but there had been little interest. The Thai economy was still suffering from an economic downturn and the isolationist policies at the end of the previous king's reign.

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On 18 April 1855 Thailand and Britain signed the *Bowring Treaty* (Keyes, 1989). The Treaty provided Britain with extraterritorial rights over British citizens (*Bowering Treaty*, 1855, art. II), removal of all restrictions on trade and for the fixing of very low import and export duties. "From the time of the treaty on, Siam was increasingly integrated into an international order dominated by Western powers. This process led to Siam's transformation into a modern nation-state." (Keyes, 1989, p. 44). With the removal of barriers on trade, the Crown was forced to find new methods of raising revenues through direct taxation and indirect taxes on opium, gambling, spirits and lotteries.

1850s to World War I

Between 1850 and 1907 rice exports increased from 5% to 50% of the total crop due to an increase in acreage as well as intensifying production on existing fields (Keyes, 1989). Over 80% of the rice exports went to Thailand's traditional markets of Hong Kong and Singapore (Owen, 1971). Rubber, tin and teak were also major exports. There was a sharp decrease in textile production as cloth and western goods came onto the market. The pattern for modern trade had been established.

Trade led to considerable improvements in infrastructure, particularly in Bangkok. The new jobs created in Bangkok were overwhelmingly filled by Chinese immigrants who came to Thailand as non-agricultural labourers and traders. This was similar to other societies of countries in Southeast Asia as Thailand was becoming part of an international economic system, but "in other fundamental ways it evolved differently because, unlike those other societies, it was transformed politically by indigenous elite rather than by Western colonial rulers" (Keyes, 1989).

The Bowring Treaty was in effect for 70 years and was withdrawn under the reign of King Rama VI in 1925 (Syamananda, 1993). This was no doubt due to the government's weakened financial situation as the result of extensive infrastructure spending as well as extravagant spending by the monarch (Paitoonpong & Abe, 2004).

Keyes (1989) considers that "Thailand's relations with foreign countries have, since the Bowring Treaty, ... been shaped by two major concerns: the integrity of the nation-state and the development of international trade. These concerns have always led Thailand to orient itself toward those powers that were felt more likely to ensure the country's security and to provide markets for Thai products and sources for those goods Thailand wished to import." (pp. 111-112).

Little has changed since Keyes comment. Even in 2015 Thailand's concerns are still integrity of its borders and international trade. Thailand has an ongoing border dispute with Cambodia, in particular at the Temple of Preah Vihear (Khmer) Prasat Phra Wihan (Thai) where there are periodic military skirmishes (Sothirak, 2013).

Thailand between World War I and World War II

Thailand signed a number of treaties with western countries in the period 1920-1925 (Keyes, 1989). In essence, these treaties abolished extraterritoriality in Thailand placing foreign nationals under Thai law and, subject to a few restrictions each party was free to fix customs duties.

The year 1932 was a turning point in Thai history when the "new elite" of government, military and naval officials conducted a coup against Rama VII (Wright, 1991). As a result of the coup the absolute monarchy was replaced by a constitutional monarchy. To avoid a potential civil war the king introduced the Constitution, abdicated on 2nd March 1934 and moved to Britain. Since 1932 Thailand has been a constitutional monarchy operating under 17 different constitutions and since May 2014 under a military junta (Constitutional History of Thailand, 2015).

Post War Development

After the war Britain and France demanded that Thailand return all territories taken during the war and the separate 1940-41 Indochina war with France and pay war reparations (Keyes, 1989). The United States had never accepted the

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Thai declaration of war and used its good offices with Britain and France to assist in the Thai negotiations and minimise their demand for reparations, especially in the light of the pro-Ally actions of the Free Thai Movement during the war. This was the start of special relationship between Thailand and the USA that, it is claimed, led to marked changes in Thai Society from mid-1950s to mid-1970s and laid the platform for their later free trade negotiations of the 21st Century.

By negotiation with its previous treaty partners, Thailand was able to preserve its pre-war status and joined the United Nations Organization in December 1946 (Syamananda, 1993).

In 1948 Thailand was seen externally as unstable, lacking efficient administration and its published figures for rice production bore no relation to actual production (Cooper, 1995). At times politics and trade are difficult to separate. Developing and maintaining a good relationship with a powerful country can result in close trade relations. This did not deter the United States which saw both political and commercial benefits in closer ties with Thailand. From 1950 the U.S. provided considerable military and economic assistance to Thailand to ensure that Thailand remained a firm ally (Randolph, 1986). With development came a considerable increase in U.S. - Thai trade. Thai exports to U.S. increased ten-fold between 1986 (USD 1.74 billion) and 1996 (USD 11.34 billion) (U.S. Department of Commerce, 2015). The value of trade doubled again by 2006 (USD 22.47 billion) and increased at a much slower rate between 2006 and 2014 (USD 27.12 million). The balance of U.S.-Thai trade significantly favors Thailand. Even in 2012 the U.S. was Thailand's third largest export market with 9.9% of the export trade and fifth largest import partner with 5.3% of the Thai import market (Central Intelligence Agency, 2015).

The United States commenced stationing military aircraft in Thailand in 1964 and developed strike bases for attacks on Vietnam, Laos and Cambodia. This involvement continued until 1973 when Thailand requested the U.S. to remove its military bases. This was a period of economic development with industries associated with the war in Indochina (Keyes, 1989).

In the late 1950s, Thailand launched into development on a strategy of agricultural-export-led growth (Phongpaichit & Baker, 1998). In 1951 agriculture accounted for 50.1% of the Gross Domestic Product (GDP), industry 18.3% and commerce 18.0% (Chamarik, 1983). By 1960 agriculture had dropped to 39.8%, industry had increased to 26.2% and commerce had dropped to 15.2%. In 1970 agriculture had dropped further to 28.3%, industry further increased to 31.6% and commerce rose to 19.1%. It terms of value, therefore, there was a gradual move from an agrarian based economy to an industrial-based economy.

As late as the early 1980s, the government's policies still favoured agriculture and import substitution. Between 1985 and 1990 there was a ten-fold inflow of private capital. The years 1990-1991 saw rapid change in the management of the Thai economy. The cabinet reduced tariffs, introduced a Value Added Tax, reduced many trade controls and reformed corporate and income tax structures. Exchange controls were also abolished (Phongpaichit & Baker, 1998).

This is an important period in the development Thai modern trade as it laid the foundations for Thailand's sustainable growth. Thailand saw the benefits in identifying and supporting key entrepreneurs to develop Thai businesses mainly in the services sector in telecommunications, real estate, construction, entertainment and media (Lauridsen, 2008). As most of these areas were financed by domestic capital and local services the domestic market they were protected by strict foreign competition and security laws. This was achieved. In addition the collective interests of big business were protected by delaying privatisation of state enterprises where they would be competing against the supported big businesses, delaying the setting up of regulatory authorities and easing the conditions on concessions (Phongpaichit & Baker, 1998).

This period saw the commercial and then political activities of Thaksin Shinawatra who would later become Prime Minister and the key promoter of the Thailand Australia Free Trade Agreement and similar agreements. Thaksin saw both economic and foreign policy objectives in pursing bilateral free trade agreements (Pongsudhirak, 2013). The then current (external trade) account was adverse and Thailand needed policy innovations and structural adjustment to maintain its competitiveness as international trade was essential to its prosperity. Thaksin recognised that the World

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Trade negotiations were going to be a very slow process before there would be a positive outcome, hence his support for FTAs in preference to the WTO negotiations. It is Thailand must continue to innovate and adjust to remain competitive even today.

The down-side of the rapidly growing economy was that the illegal economy flourished and it is estimated that the illegal economy in the years 1993-1995 constituted between 8-13% of the Gross National Product (GNP) (Phongpaichit, Piriyarangsan & Treerat, 1998). The largest contributor was gambling then prostitution, drugs, diesel oil, labour and contraband arms.

Thailand and the World Trade Organization

Thailand was a Founding Member of the World Trade Organisation (WTO), having signed the Marrakesh Protocol and become a member on 1st January 1995. One of the issues that developing countries like Thailand face when they join multinational trading organisations is the push by the developed countries for the developing countries to change their domestic laws to harmonise with those of the developed country. Sometimes this can be an obstacle to development, as is the case, for instance, with changes to intellectual property laws.

Like all of the signatories, Thailand has to meet a number obligations and duties under the WTO treaty. Where necessary, Thailand was committed to amend its laws to meet the requirements of the Protocol and to ratify the agreement. The most tangible changes were in the area of intellectual property rights which were part of the discussions under the Uruguay Round and became the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (TRIPS) of the Marrakesh Agreement establishing the World Trade Organization. In addition, Thailand was required to reduce tariffs, increase quotas and reduce both domestic and export subsidies.

Although both Thailand and Australia are members of the WTO they both saw a mutual advantage in entering into a Free Trade Agreement which offered additional benefits to each party. The *Thailand Australia Free Trade Agreement* (TAFTA) was the first free trade agreement that Thailand, as a developing economy, entered into with a developed economy.

Summary

Thailand has been negotiating trade agreements for centuries where it saw such an approach in its economic interest. Regardless as to whether Thailand was ruled by an absolute monarch, democratically elected government or a military junta, primacy was given to the integrity of its borders and the development of international trade. Negotiations were always driven by the need to export Thai goods whilst protecting local producers.

This same situation applies today and is the driver for Thailand's membership of the World Trade Organization and its negotiation of bilateral and plurilateral free trade agreements. The Thai economy has, of course, changed over that period from an agrarian to an industrial base. Much of that changed has occurred over the last 40 to 50 years.

LEGAL FRAMEWORK OF TAFTA

As part of its obligations to the WTO, Thailand is required to harmonise its laws to meet the continuing requirements as new WTO agreements are proposed. This meant that, as Australia and Thailand were already members of the WTO, no additional changes to the laws of either country were required. It is important to note, however, that Thailand had introduced major changes to its laws between joining the WTO in 1995 and commencement of TAFTA on 1st January 2005.

Abolition of Trade Restriction

The movement of goods and services, free of tariffs and quotas, is the most important outcome of a free trade agreement. Whilst this is the ideal, an FTA agreement usually sets out an extended timetable to achieve such an outcome and often continues with some tariffs and quotas.

Under TAFTA, the parties made a mutual commitment to eliminate both tariff and non-tariff trade barrier for the products that originate in the country of the parties. However this measure cannot function immediately. It has to be

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brought in over time to prevent dislocation and disruption to local firms. The agreement allows each party to maintain their rights to apply a taxes to other countries who are not the party of the agreement.

The reason TAFTA contains a commitment to eliminate duties on goodsis to grow the economy of each country through trade; at the same time meeting the requirements of Art. XXIV (8)(b) of *GATT 1994.*

It was necessary for TAFTA to be comprehensive and have substantial coverage of all trade. One of the principles of TAFTA is to provide support to the parties to promote their goods. In contrast, if the parties to TAFTA only allowed a limited number of products under TAFTA, it likely to result in protection rather than open and free trade and it would be an obstacle to the functioning of TAFTA.

All products of Thailand and Australia were contained in the Schedules to the agreement with a timetable to eliminate duty and quotas.

However Thailand and Australia were concerned that the agreement could have some the negative effects. Negative effects could result especially in the case of sensitive products. For sensitive products both countries agreed to extend the period to eliminate duties. The lists of sensitive products are included in Annex 2 of the Agreement. This delay will provide time for their domestic producers to prepare to cope with TAFTA. Moreover the very sensitive products such as agricultural products have special safeguard measures to protect domestic farmers from damage. This is allows duty to be applied if such products reach their quota in the country in any year.

Standstill Clause

Under this principle a state is not allowed to increase any existing barrier to trade. As a result a party cannot increase an existing customs duty or introduce a new tax on the original goods. This principle is set out in Article 203(2) of *Thailand Australia Free Trade Agreement*. Moreover the parties have a commitment to function under Art. VIII (1) of *GATT 1994*.

Australia agreed to reduce duty on 83% of total product categories to 0% when the Agreement came into force. The products in these lists included items such as small passenger vehicle, pick-up trucks and canned pineapples. The rest of the products on the lists were reduced, as agreed to 0% by 2010 and 2014. The duties on textiles and tuna were removed in 2010 and on garments were removed in 2014.

Thailand agreed to reduce duty on 49% of its total product categories when the Agreement came into force the products that are in these lists included vegetables and fruit, food, jewellery, cars and pick-up trucks. The rest of the product lists which were progressively reduced to 0% by 2010 included canned tuna, textiles, footwear, spare parts, and plastic products. The sensitive products such as agricultural products and some industrial products will be reduced to 0% in 10 years, 15 years or 20 years. Under the sensitive lists of Thailand has the ability, under TAFTA, to invoke a Special Safeguard measure to protect these sensitive products as well.

Rules of Origin

The origin of goods is an important issue regarding the *Thailand Australia Free Trade Agreement* and for other trade partners. It is covered in Annex 4.1 of the Agreement. Without clear rules of origin third parties could take unfair advantage of the parties to TAFTA. Under the Agreement, the principle of Rules of Origin the parties will classify goods according to the following classification as: **Wholly Obtained Goods** which are goods which come from raw materials or from natural resources of the territory of the party. The products of this group are provided a special privilege under TAFTA and includes products that have never been processed: **Change in Tariff Classifications** which refers to the products made from materials that come from a third country and must be processed in the country of one of the parties. The process used on the raw material must result in the finished product having a tariff classification different from the raw material. Such an item is considered to be a product of the processing party: and **Regional Value Content** which refers to products that are not under the scope of Annex 4.1 of TAFTA but have been agreed by the parties. Such products must contain a specified minimum level of material. The formula for calculating the Regional value Content is provided in Article 403 of TAFTA.

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National Treatment

National Treatment has the aim of applying equal treatment to the parties of each country as they each treat their local producers. This principle is very important in international trade. Each Party shall accord national treatment to the goods of the other. Trade in goods was covered in *TAFTA* in Art. 202, and is in accordance with Art. III of *GATT 1994*.

Transitional Period

The key of strategy of TAFTA is tax reduction. The process of tax reduction is discussed in Chapter 2: Trade in Goods of TAFTA. It is one of the main mechanisms to facilitate free trade. Details are provided in Annex 2: Tariff Schedule of TAFTA. TAFTA plans to adjust the duty structure and eliminate trade barrier over 20 years. It entered into force on 1 January 2005. TAFTA will reach the timeframe in 2025 by which time Thailand and Australia will have free movement in goods and services.

The Free Trade Agreement Joint Commission (FTA Joint Commission) was established under TAFTA as the organization established to "ensure the proper implementation of this Agreement and to review periodically the economic relationship and partnership between the Parties" (Art. 1701 to 1703).

TAFTA Scoping Study

Prior to commencing substantive negotiations, the Australian Department of Foreign Affairs and Trade and the Thai Ministry of Commerce (2002) conducted a joint scoping study concluded that an FTA "would bring significant economic benefits to both countries" (p. 1). The economical modelling undertaken as part of the study indicated that, if implemented immediately, TAFTA would boost Australia's GDP by US$6.6 billion and Thailand's GDP by US$25.2 billion. The report expected an increase in Australian exports to Thailand in areas such as dairy and other agricultural products, pharmaceuticals, aluminium, and large passenger motor vehicles and components. Thailand's increased export potential was expected to be in the areas of small motor vehicles (passenger and commercial), plastic goods, iron and steel products, pulp and paper products and agricultural products.

It predicted significant gains from liberalising the services sector; with Australia benefiting from being able to operate more freely in Thailand and Thailand benefiting from an appreciable impetus to investment. Depending on the terms of the FTA there could be an increase in foreign direct investment into both countries. It considered that an FTA would open up new opportunities in textiles and clothing. The existing links in sectors such as education and tourism were expected to intensify. The study found that, as Australia and Thailand had relatively complementary economies with different specialisations the value of the current international trade between each is only around 2% of their total trade, "the adjustment costs associated with an FTA are likely to be modest". Finally it considered that an FTA "would provide a framework for improved cooperation in many areas".

After reviewing the signed FTA and undertaking further economic modelling, the Centre for International Economics (CIE) (2014), in a report prepared for the Australian Department of Foreign Affairs and Trade, found that TAFTA would deliver economic benefits for both countries. The gains to Thailand would be larger as Thailand had higher barriers to trade and therefore, according to CIE, a less efficient economy. An Australian Parliamentary Library briefing note on the enabling customs legislation concluded that overall there was evidence that TAFTA would have a positive economic effect on both countries with Thailand appearing to gain more (Donald & John, 2005).

It might be noted that neither the scoping study nor the CIE reports prepared for the Australian Government consider factors other than economic considerations.

BENEFITS TO THAILAND OF TAFTA

TAFTA had an immediate benefit to Thailand as Australia eliminated most of its tariffs and quotas on Thai products immediately, while Thailand agreed to the elimination of 94 per cent of Thailand's tariff and quota barriers on imports from Australia by 2010. Australia had an absolute period of ten years to eliminate the tariff on all Thai products by 2015. Thailand has an obligation to phase out all tariffs on Australian products by 2025. This occurs on an annual basis on 1st January each year in accordance with the schedule plan.

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This gave Thailand early access to the Australian market whilst protecting the Thai domestic market from competition allowing Thai industries time to adjust. What was important was that the negotiators focussed on products rather than industries. In particular, benefits were provided to the Thai agricultural sector. The sensitive area of the Thai economy was considered to be the agri-food sector so it was agreed that such products of Australian origin which included meat, diary, fruit and vegetables, sugar, other processed foods and hides and skins, would be subjected to a reducing tariff regime where Thailand would gradually reduce most of its tariffs to zero by 2020. The remaining tariffs and quotas which applied to dairy goods especially skim milk powder and liquid milk and cream, where all tariffs and quotas will be reduced gradually until they are eliminated in 2025. Thailand has successfully undertaken waves of agrarian reform (Kitiarsa, 2012) and there is no reason to suspect that this will not happen in the future.

TAFTA also provided benefits to Thai investors as it allows Thais to invest up to 100% in any Australia service sector except press, radio and aviation on the proviso that any capital investment of more than AUD 10 million has to be approved by the Foreign Investment Review Board (FIRB). In addition, Australia is more flexible to Thais than are other WTO members as it allows businesses from Thailand such as legal consultants, landscape designer, car maintenances, Thai language Institutes, spas and restaurants to operate in Australia. Australia has also eased entry requirements for Thai business people and people with trade qualifications. Finally Australia has initiated a Working Holiday Scheme for Thai students.

In the area of sanitary and phytosanitary measures, Australia is known as being very strict and its requirements are often seen as an obstacle to trade. Prior to the signing of TAFTA Thailand had been fairly unsuccessful in negotiating entry of many products into Australia (Smith & Smith, 2014). TAFTA established a process to resolve the problem and establish rules for the entry of Thai priority products such as mangosteen, lychee, longan, durian, chicken and prawn to the Australian market. At present pineapple, longan, lychee, durian, mangosteen and processed prawns and chicken can access the Australian market.

Australia is an expanding and stable economy, and the two countries are relatively close but the volume of trade was lower than one might expect, especially as their economies are complementary. This provided a real opportunity for Thailand. There has been a noticeable increase in bilateral trade since the commencement of TAFTA. Merchandise trade (exports + imports) increased from US$ 5 billion to US$ 15.1 billion between 2004 and 2010 with the share of bilateral trade to total trade increasing from 2.6% to 4.0% and this is attributable to a large extent to the operation of TAFTA (Athukorala & Kohpaibon, 2011).

CONCLUSIONS

TAFTA has had a significant impact of the trade in goods and services between both countries. Whilst it is still at an early stage in its evolution it is clear that it has led to an increase in Thai exports to Australia. It has also opened the Australian market to the Thai services sector and Thai investment.

One of the key features of the TAFTA negotiations was the desire of the parties to ensure that the changes required to open up the Thai economy to Australian goods and services was staggered over a number of years. This was to allow Thai industry time to develop its own local industries so that they would be better able to adjust and so be able compete with Australian imports.

The negotiations also gave Thailand the opportunity to negotiate a framework for the resolution of sanitary and phytosanitary issues that had previously been a major impediment to the export of Thai produce to Australia.

In many ways the benefits derived from TAFTA are due to the complementary nature of the two economies. Even so, the negotiations ensured that TAFTA would cause minimal impact on any one sector of the economy by focussing on a product by product (i.e. tariff code) basis rather than on the broader industry providing the more trade exposed sectors of the economy time to adjust, up to 25 years in the case of the dairy industry.

Because of the nature of its economy which is export rather than consumer driven Thailand, by necessity, needs to be part of the international trading community. What the TAFTA negotiations and subsequent agreement have shown is that a developing country can negotiate a free trade agreement with a developed country resulting in an agreement that seeks to preserve the sustainability of all sectors of the Thai economy whilst providing Thailand with the opportunity to benefit from the two way trade in services and investment.

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