

# **National Interest and the ASEAN Economic Community: Convergence or Competition? Thailand Perspective**

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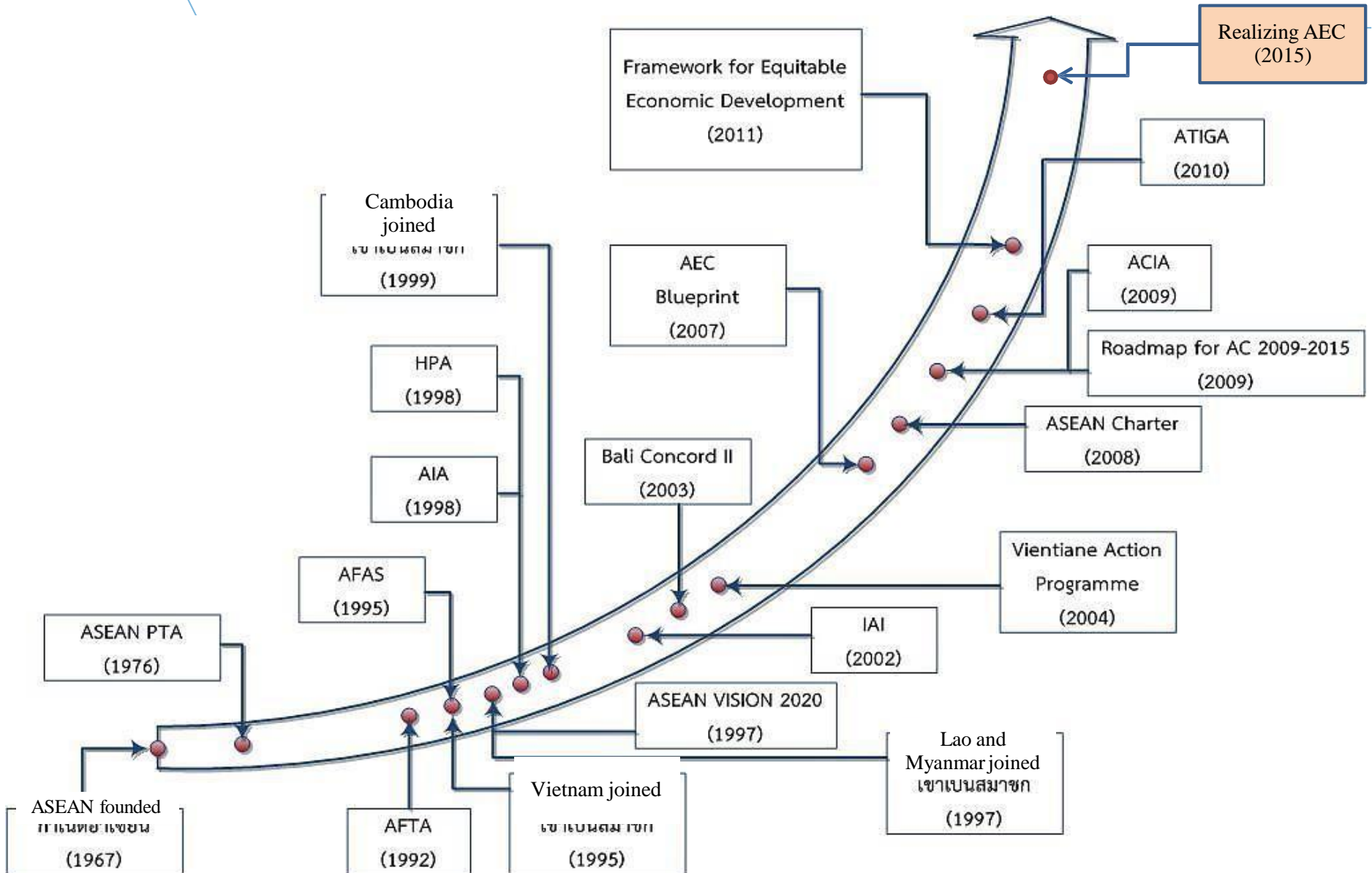
**Thailand Development Research Institute**

**August 17, 2017**

**University of the Philippines Forum on the AEC**

**University of the Philippines Diliman, Quezon City**

## 1. THAILAND'S STAKES IN THE AEC



This was presented in the policy forum **"National Interest and the ASEAN Economic Community: Convergence or Competition?"** organized by the University of the Philippines (UP) Asian Center's Bugkos Institutional Research Program funded by the UP Emerging Interdisciplinary Research (EIDR) Grant.

### AFTA was not enough

- Covering mainly trade in goods
- Only tariff reduction
- Several years of temporary exclusion of products of high potential for production network in ASEAN
- Little realization of CEPT

### Slow progress in Doha Round

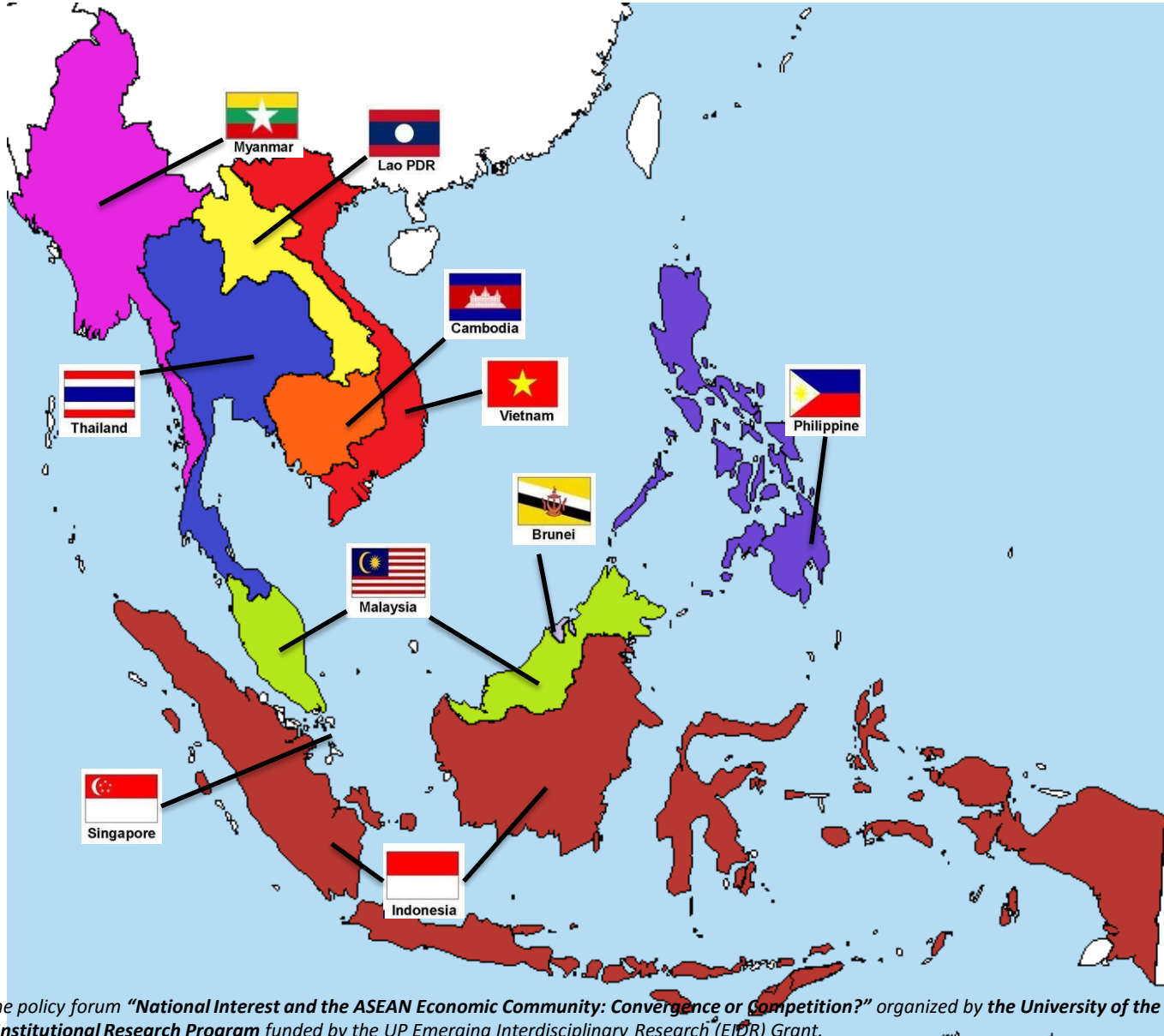
### Proliferating FTAs

### Deeper and more comprehensive FTAs

### ASEAN needs to pursue deeper and more comprehensive integration:

- To increase efficiency, productivity, and competitiveness in the world market
- To gain bargaining power in international forum

## 1.3 Realizing AEC 2015



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## 1.3 Realizing AEC 2015 (cont.)

### ASEAN Economic Community

#### 4 Key Objectives

#### 1. Single Market and Production Base

- Free flow of goods
- Free flow of services
- Free flow of investment
- Freer flow of capital
- Free flow of skilled labor

Accelerate Economic Integration in 12 Priority Sectors

Enhance intra- and extra-ASEAN trade and long-term competitiveness of ASEAN's Food, Agriculture and Forestry

#### 2. Competitive Economic Region

#### 3. Equitable Economic Development

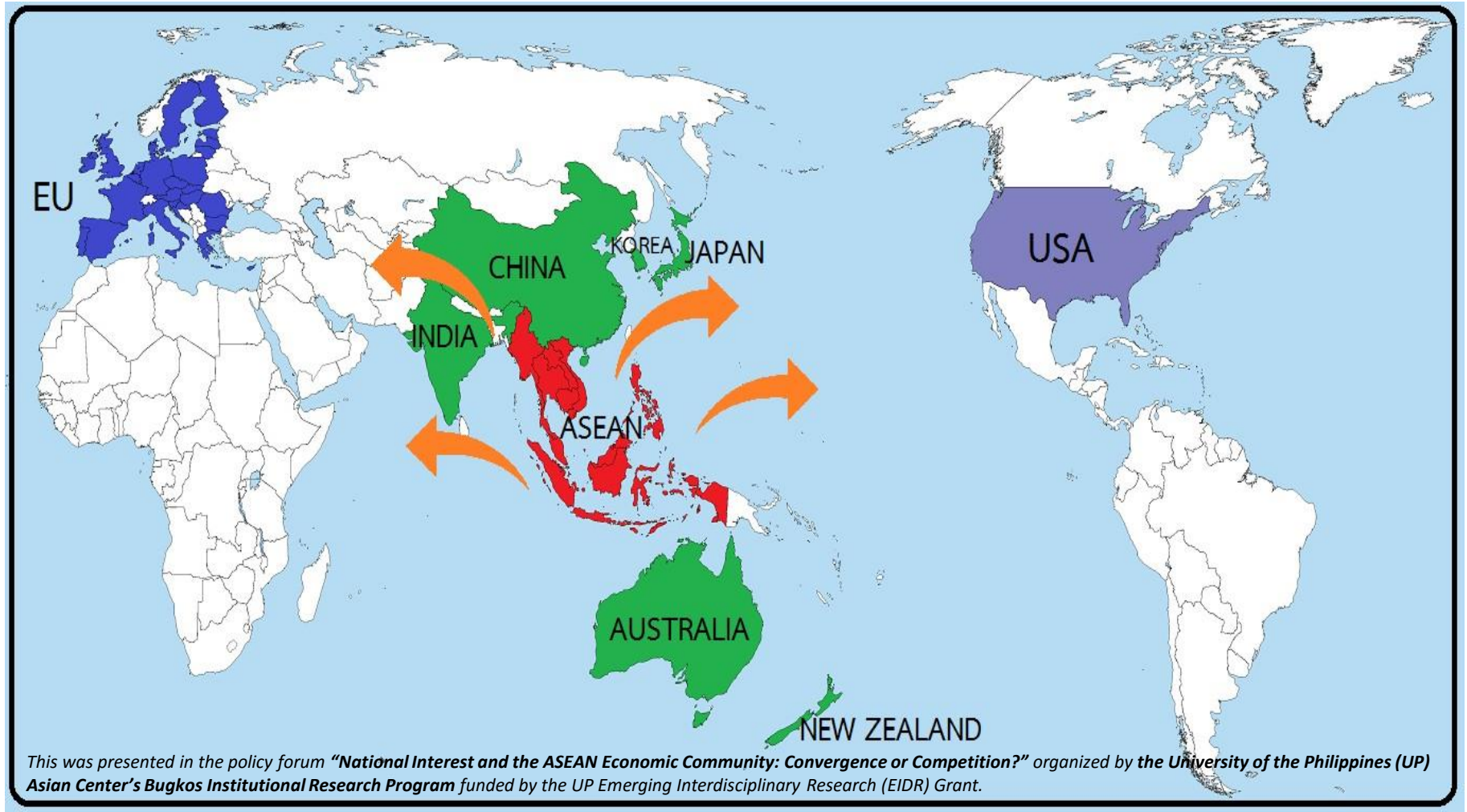
- SME Development
- Initiative for ASEAN Integration (IAI)

#### 4. Integration into the Global Economy

- Coherence Approach towards External Economic Relations
- Enhanced participation in global supply networks

- Competition Policy
- Consumer Protection
- Intellectual property rights
- Infrastructure Development
- Taxation
- E-commerce

## ASEAN Integration into the Global Economy



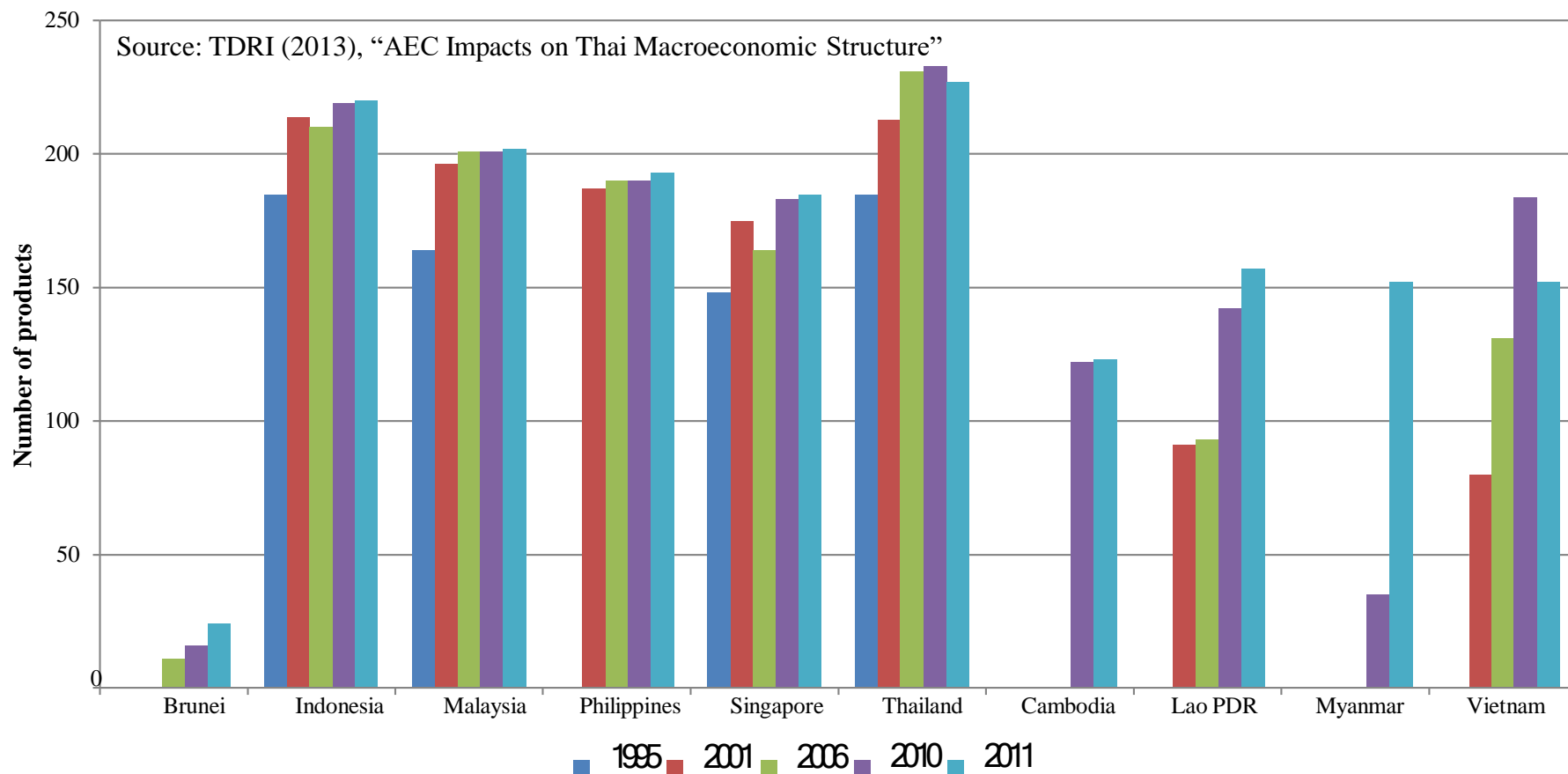
## 1.4.1 Single market and production base

- **Opportunity to expand competitive production base**
- **Original AMS have large opportunity to participate in the single market and production base**
- **Vietnam enjoys fast growing participation**
- **CLM enjoy increasing participation through complementarity with original AMS and Vietnam**



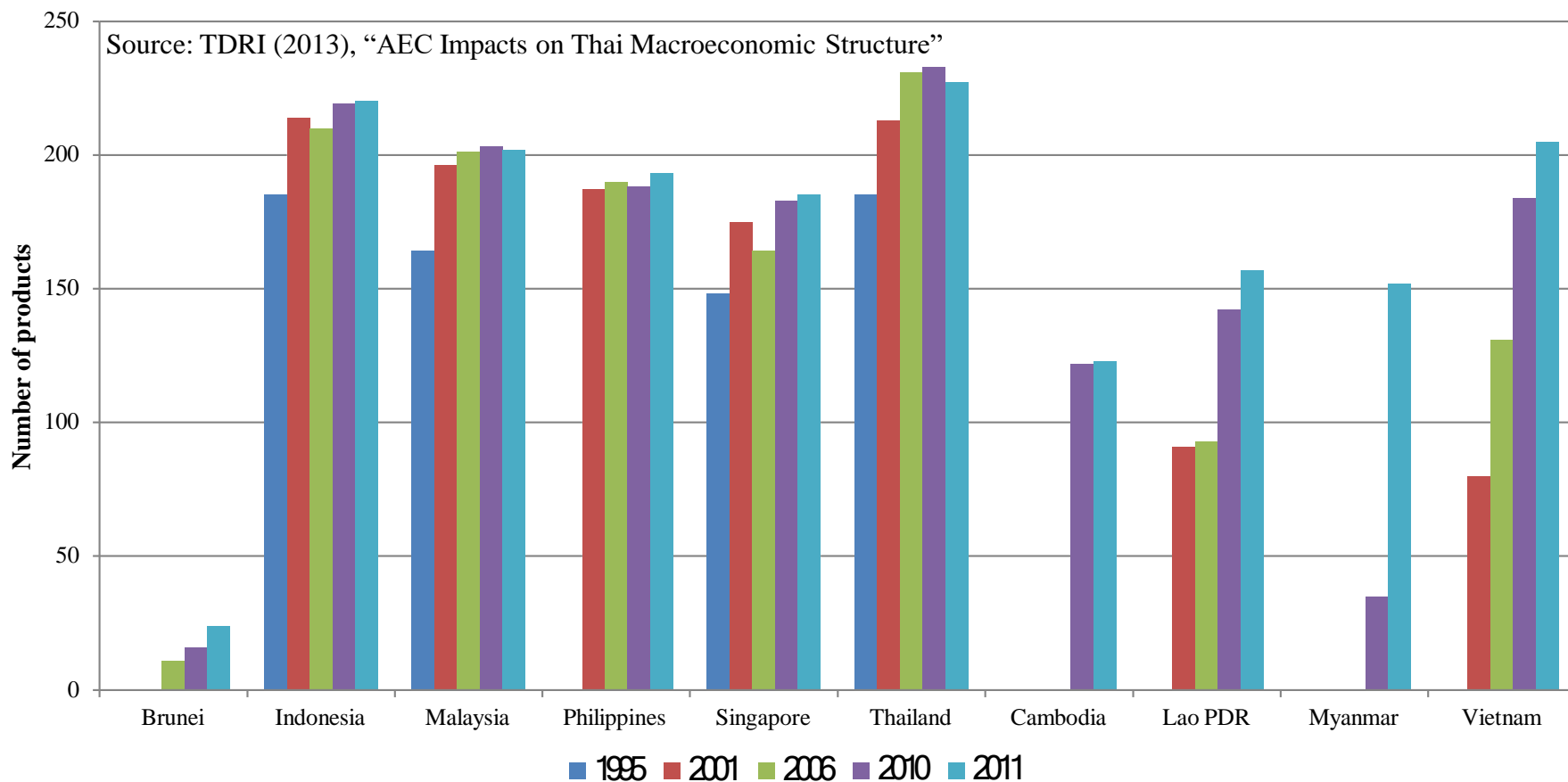
### 1.4.1 Single market and production base

Revealed opportunities to be competitive **Exporter** in ASEAN Single Market and Production Base



### 1.4.1 Single market and production base

Revealed opportunities to be competitive **Importer** in ASEAN Single Market and Production Base

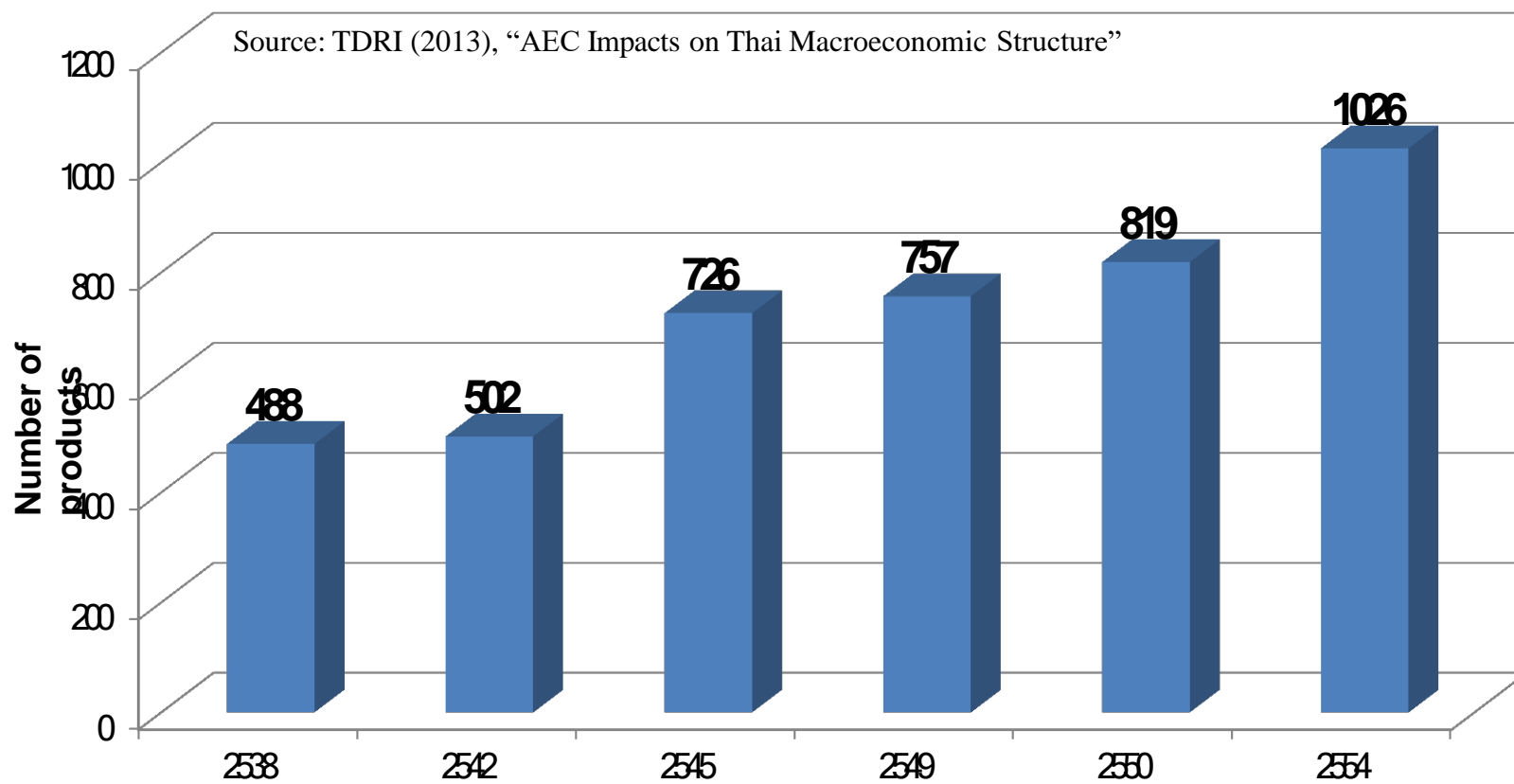


## 1.4.2 Competitive economic region

- Increasing number of products that are competitive in global market but still not so large coverage
- Expanding production network but there were declining intra-industry trade in some industries

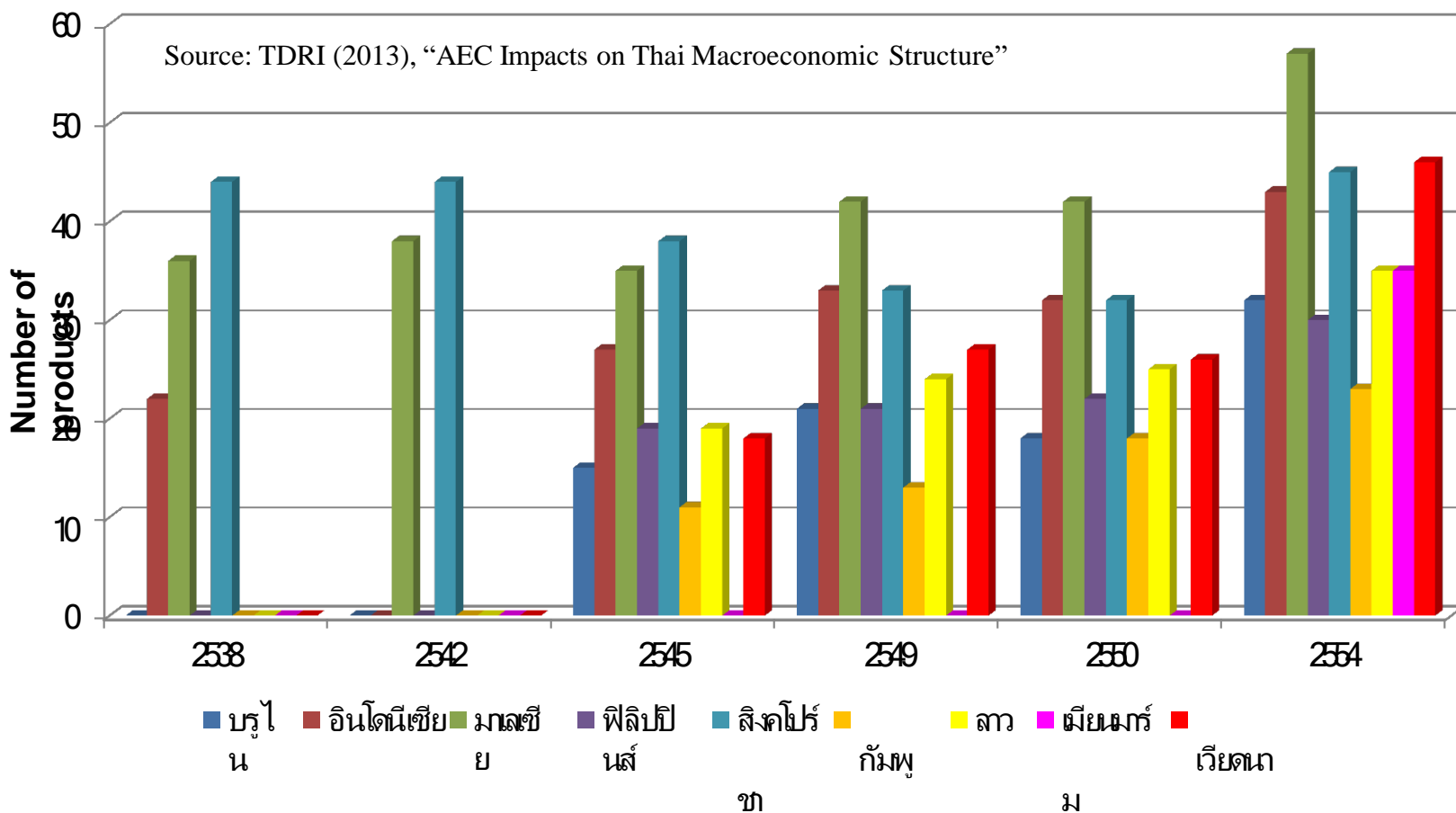
## 1.4.2 Competitive economic region

Number of products which at least one ASEAN member state has  $RCAX > 1$



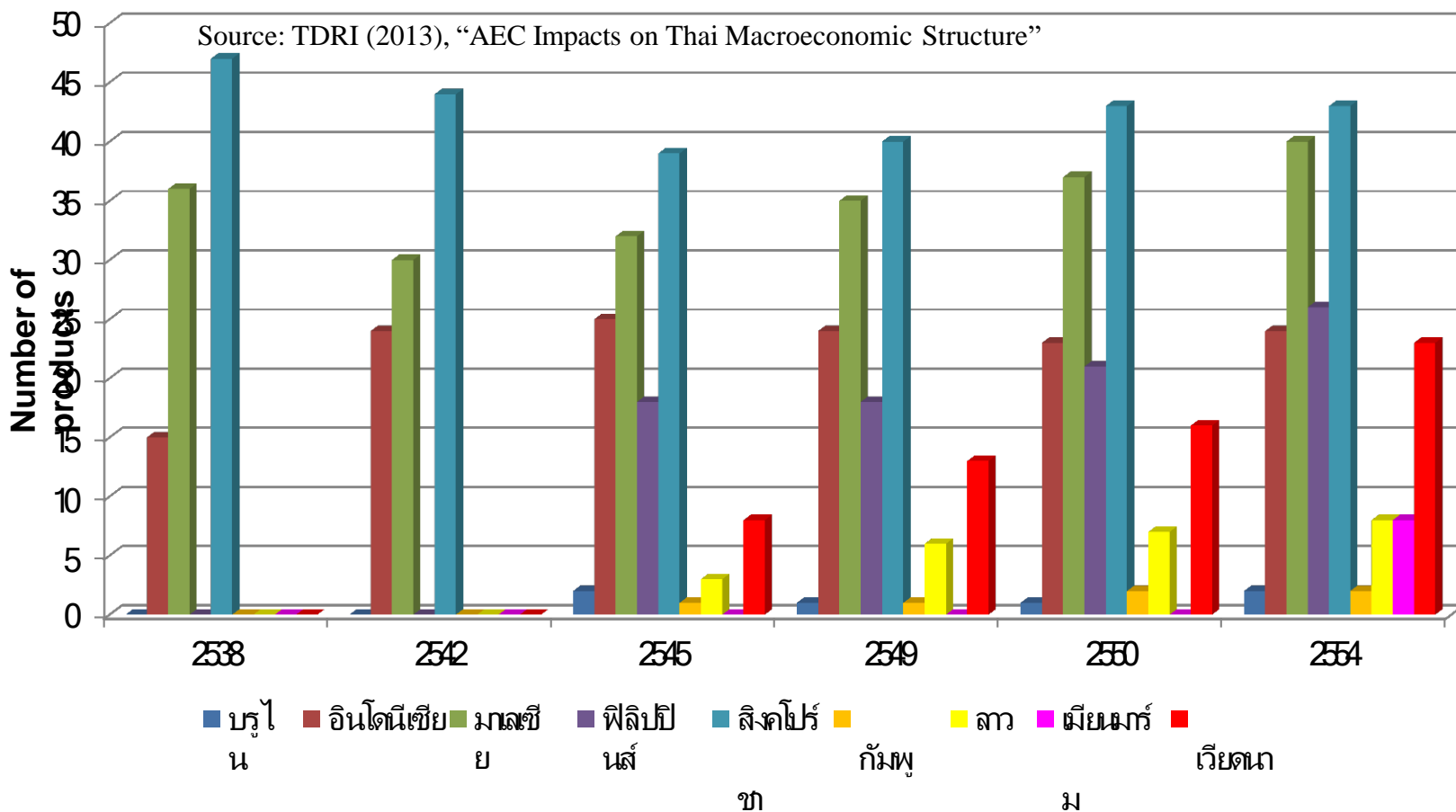
### 1.4.2 Competitive economic region

#### Complementarity of ASEAN markets to Thailand's export



### 1.4.2 Competitive economic region

#### Complementarity of ASEAN markets to Thailand's import



### 1.4.3 Equitable economic development

#### Through Trade

- CLMV has gained competitiveness in larger number of products than original AMS
- Trade diversion threat on CLMV

CLMV	Number of products													
			Brunei		Indonesia		Malaysia		Philippines		Singapore		Thailand	
	RCAX>1 <sup>1</sup>	ΔRCAX>0 <sup>2</sup>	RCAX<1 <sup>1</sup>	ΔRCAX<0 <sup>2</sup>	RCAX<1 <sup>1</sup>	ΔRCAX<0 <sup>2</sup>	RCAX<1 <sup>1</sup>	ΔRCAX<0 <sup>2</sup>	RCAX<1 <sup>1</sup>	ΔRCAX<0 <sup>2</sup>	RCAX<1 <sup>1</sup>	ΔRCAX<0 <sup>2</sup>	RCAX<1 <sup>1</sup>	ΔRCAX<0 <sup>2</sup>
C	141	110	16	8	5	20	6	7	8	7	5	5	10	20
L	141	78	19	9	7	24	10	10	9	14	11	14	15	27
M	173	148	20	8	9	28	8	9	18	19	9	11	11	26
V	174	108	23	11	20	44	18	28	19	14	19	22	25	52

<sup>1</sup>/RCAX in 2011

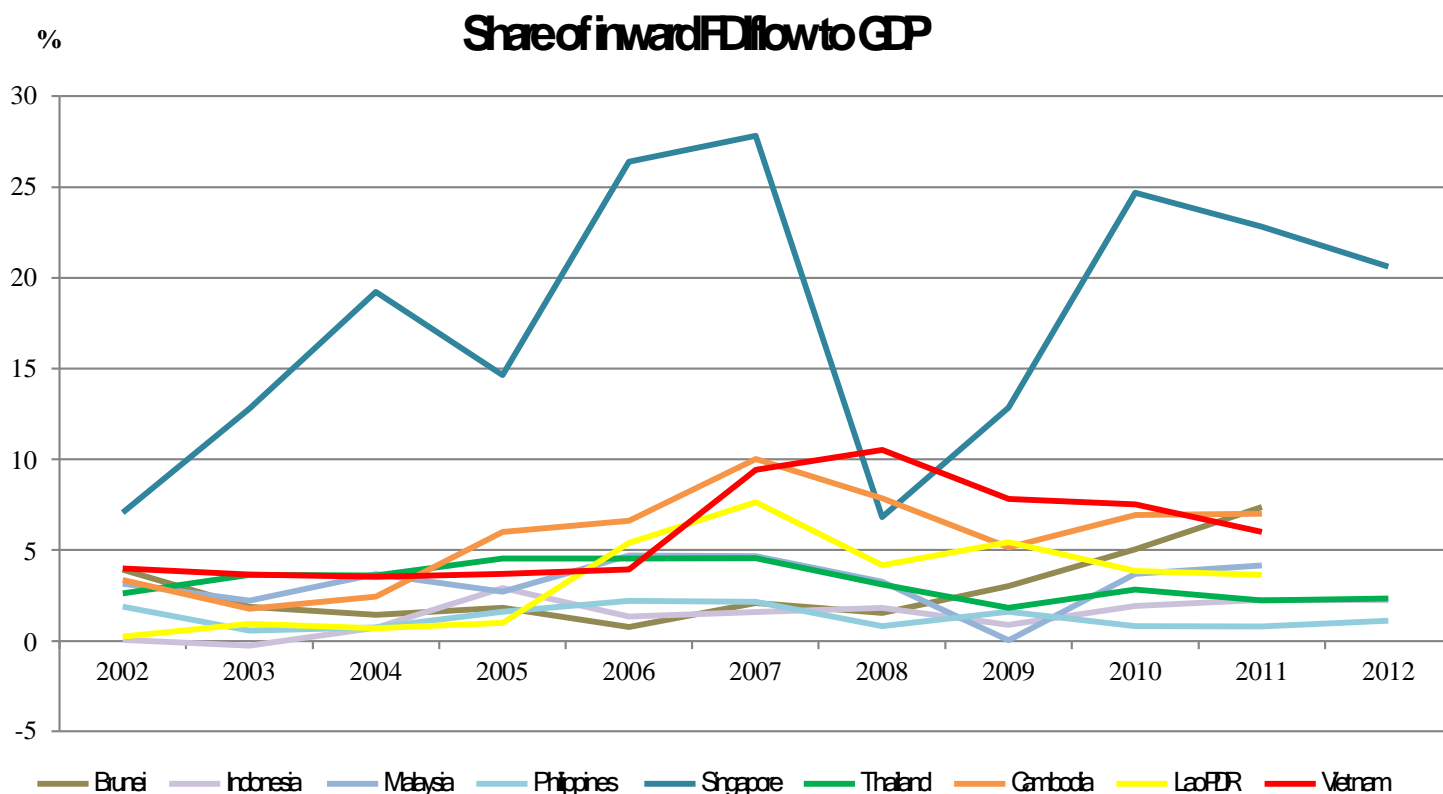
<sup>2</sup>/ΔRCAX in 2007-2011

Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"

### 1.4.3 Equitable economic development

#### Through Investment

- After 2006 FDI/GDP in CLV higher than IMT



\*No data for Myanmar

Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"



### 1.4.3 Equitable economic development

#### Through ODA

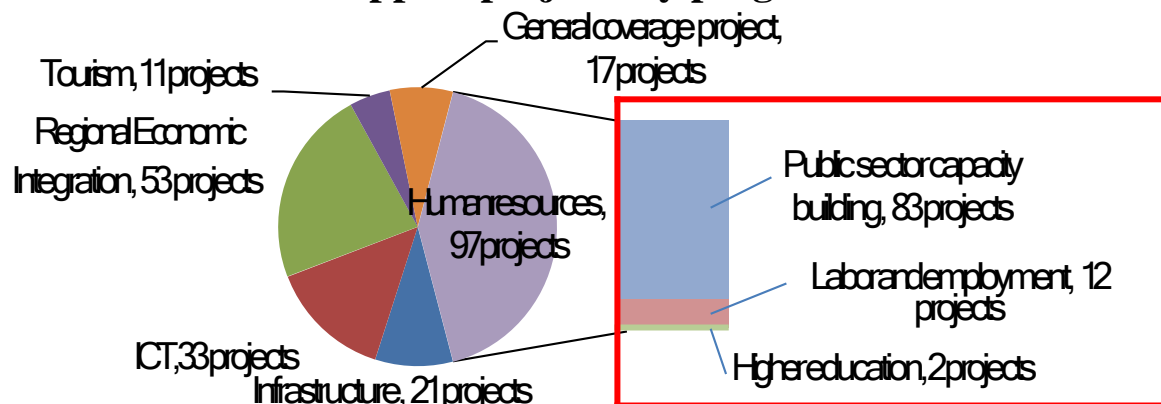
- Limited TA from BIMST to CLMV

#### Technical supports from original ASEAN member states

Country	Number of projects	Amount (US\$)	Share of total supports to GDP (%)
Brunei	12	1,475,332.36	0.002172
Indonesia	34	1,768,668.00	0.000078
Malaysia	65	5,314,065.00	0.000498
Philippines	2	30,932.00	0.000004
Singapore	59	24,462,263.50	0.002708
Thailand	14	481,902.00	0.000036
<b>Total</b>	<b>186</b>	<b>33,533,162.86</b>	

\*Cumulative share of total supports to GDP from 2002-2008

#### Number of Technical support projects by program area



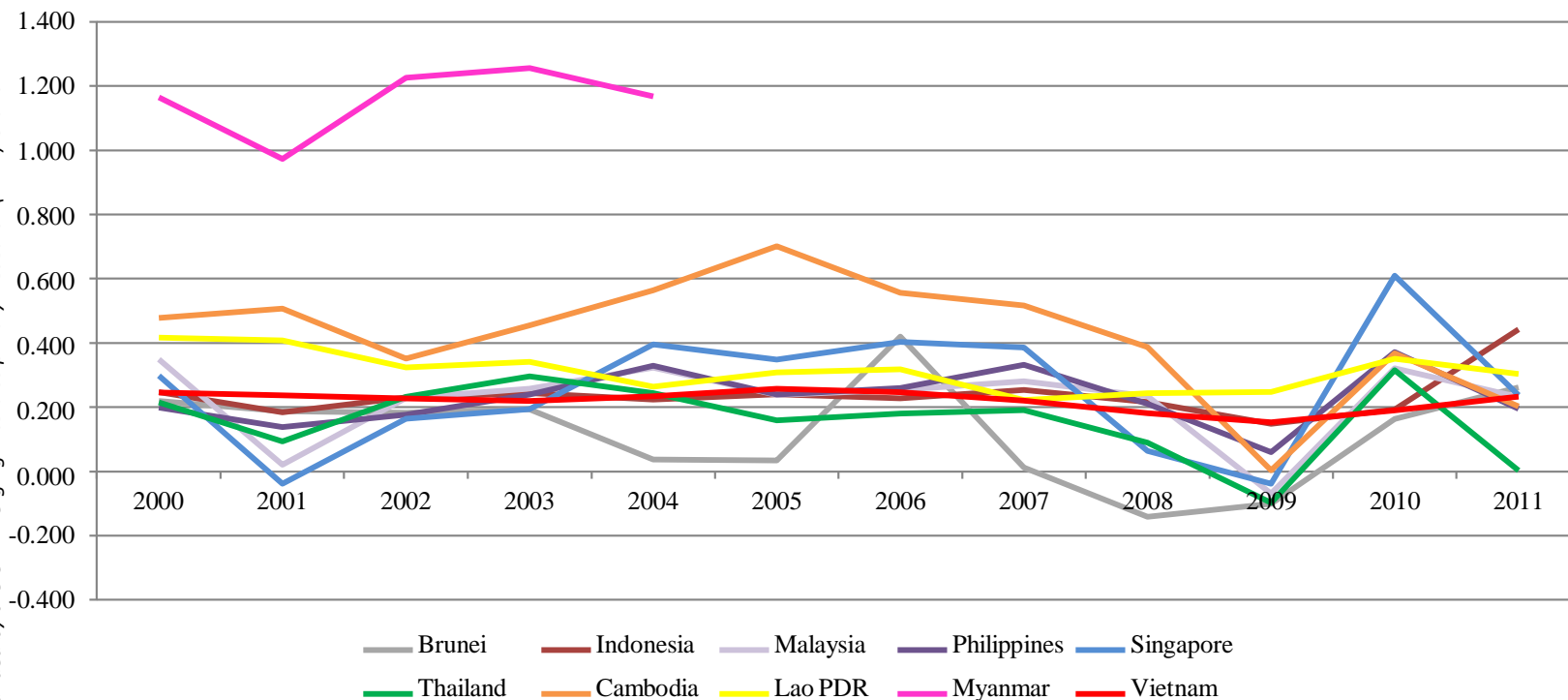
Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"

### 1.4.3 Equitable economic development

Through MPK

- C had higher MPK than most AMS during 2000-2008

#### ASEAN Marginal Productivity of Capital



\*Marginal Productivity of Capital is the change of GDP to the change of capital stock

\*\*Data from Myanmar is not complete

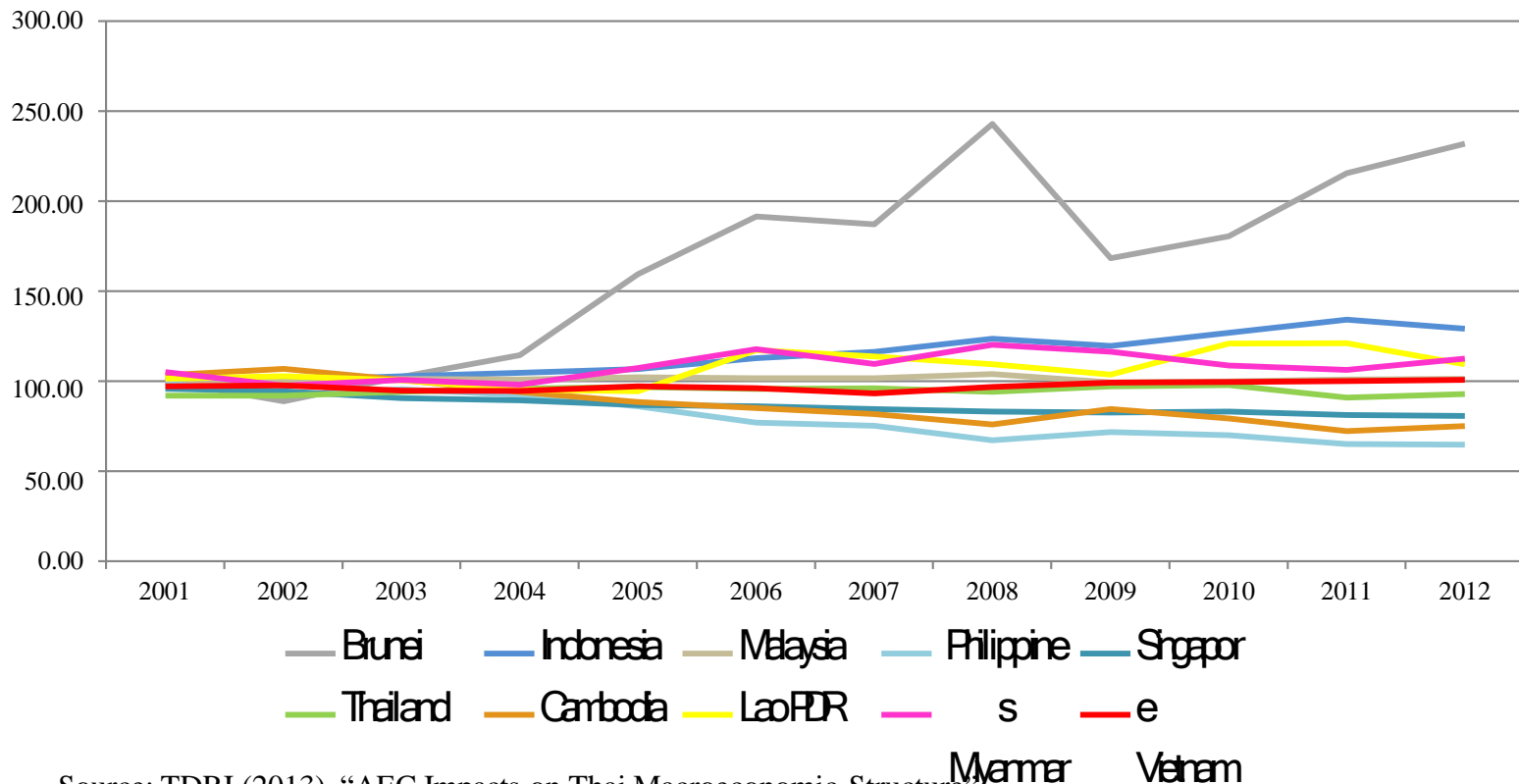
Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"

### 1.4.3 Equitable economic development

Through TOT

- BILM had relatively higher ToT than other AMS

ASEAN Terms of Trade Indices



Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"

### 1.4.3 Equitable economic development

Equitable economic development: Outcome

Disparity among ASEAN member states

GDP per capita and Annual growth of Real GDP per capita

Country	GDP per capita (US\$)			Annual growth of Real GDP per capita (%)		
	2545	2550	2555	2541-2545	2546-2550	2551-2555
Brunei	16,868	32,109	41,127	0.88	-0.55	-0.24
Indonesia	910	1,871	3,557	1.97	4.14	4.51
Malaysia	4,131	7,218	10,381	2.89	4.04	2.26
Philippines	1,005	1,681	2,588	1.34	3.91	3.03
Singapore	21,691	36,766	51,709	2.91	5.62	2.53
Thailand	1,989	3,738	5,474	2.96	4.63	2.68
Cambodia	337	628	946	6.57	9.46	3.38
Lao PDR	317	702	1,399	4.50	5.61	5.94
Vietnam	441	843	1,596	4.99	7.00	4.67

Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"

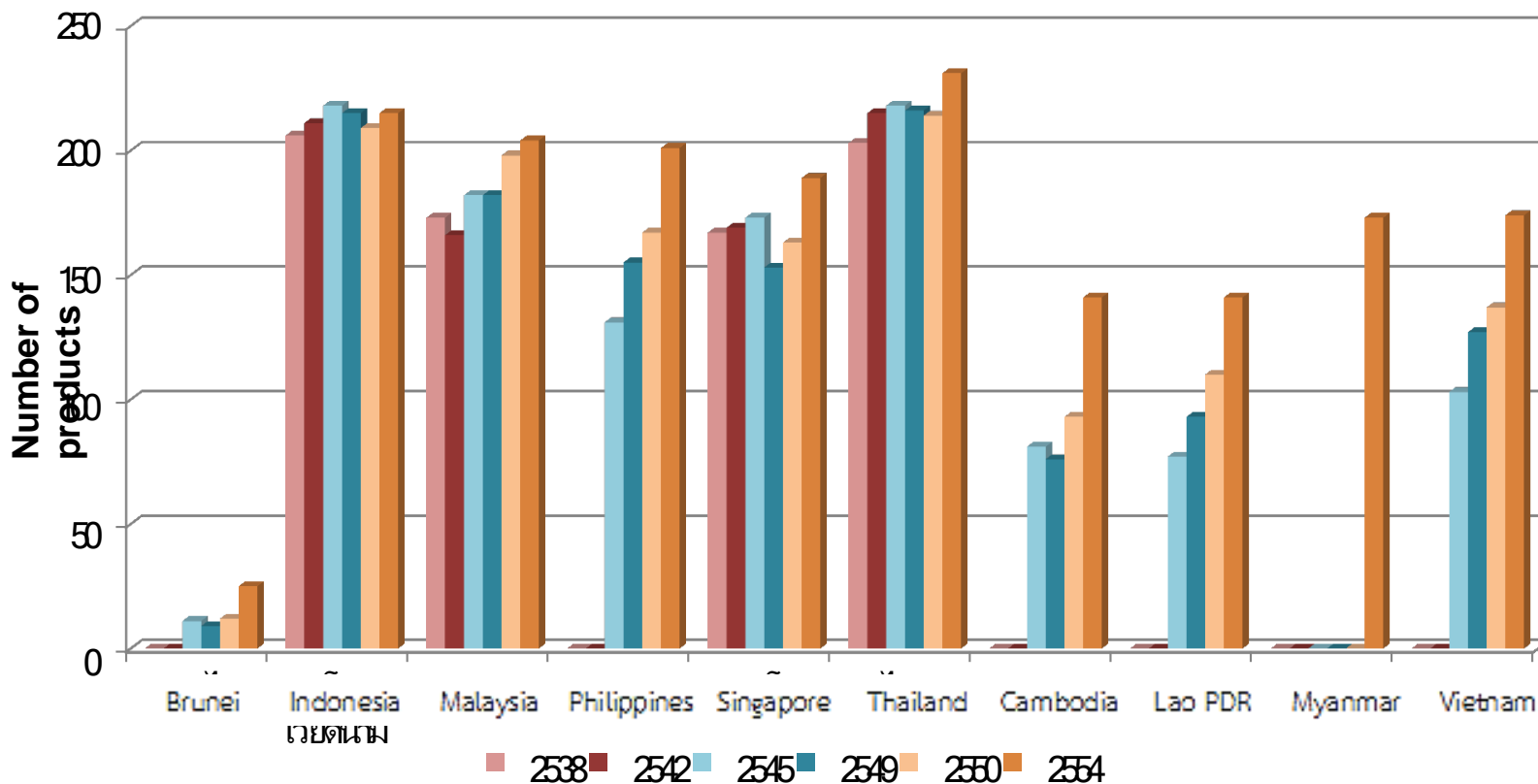
\* Not included Myanmar

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## 1.4.4 Integration into the global economy

- Increasing opportunities to be competitive exporter in the world market.

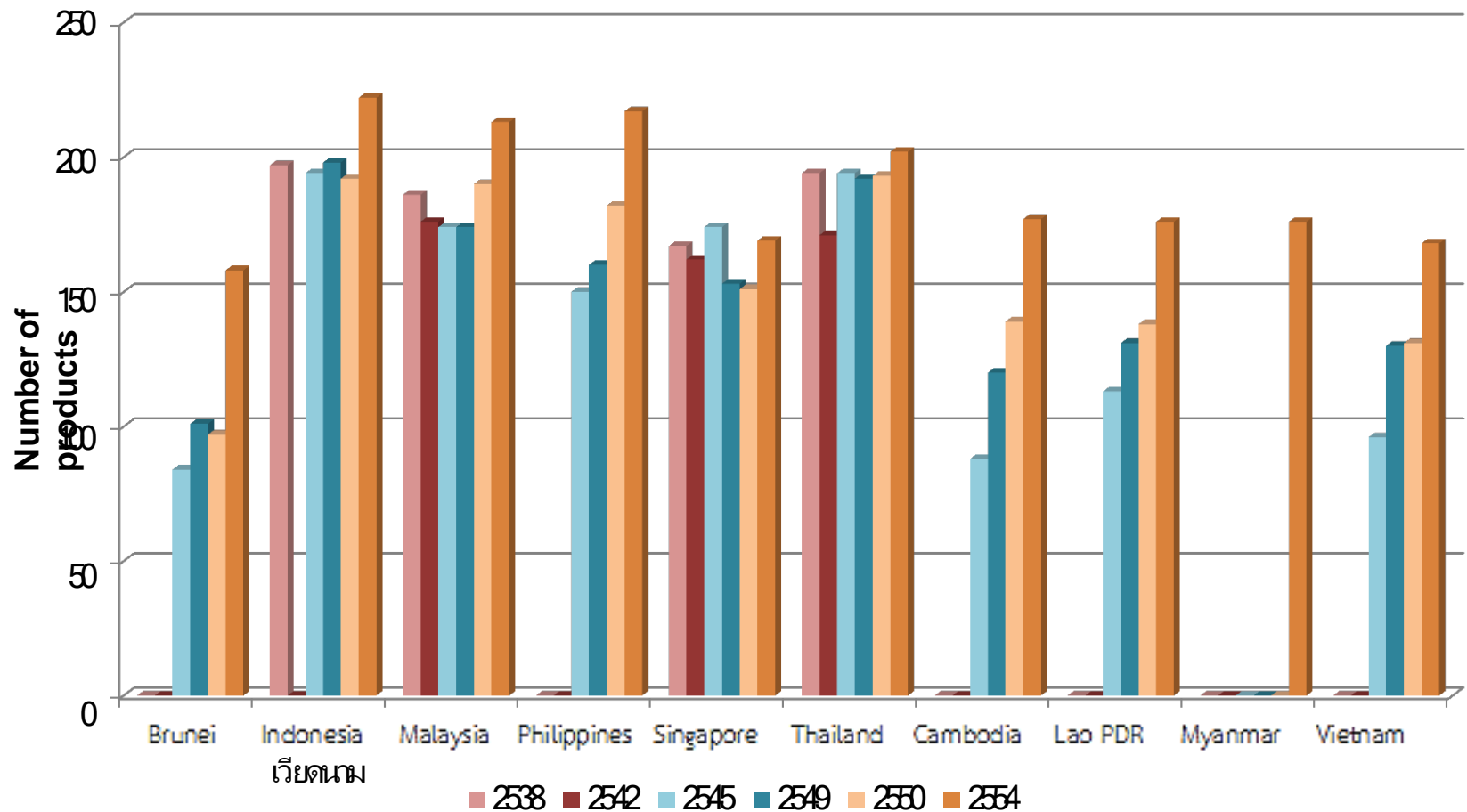
Increasing opportunities to be competitive exporter in the world market



Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"

### 1.4.4 Integration into the global economy

- **Opportunities to be competitive importer from the world market**  
Opportunities to be competitive importer from the world market



Source: TDRI (2013), "AEC Impacts on Thai Macroeconomic Structure"

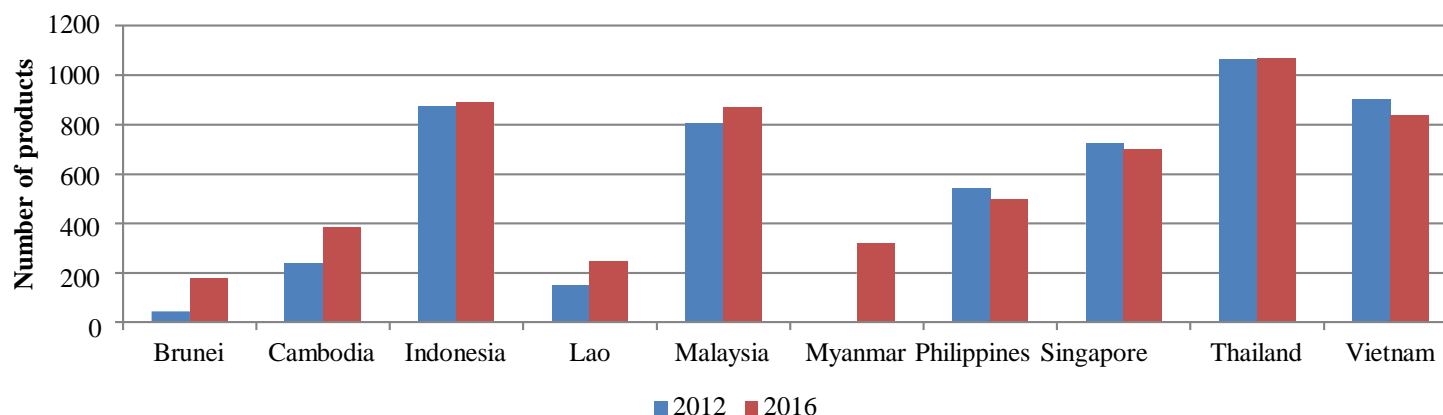
## 1.4.5 Updated AMS comparative advantages

- **RCA in ASEAN , 2012 and 2016**
- **No data for Myanmar in 2012**
- **Product Coverage: 5,205 products (HS 6-digit)**

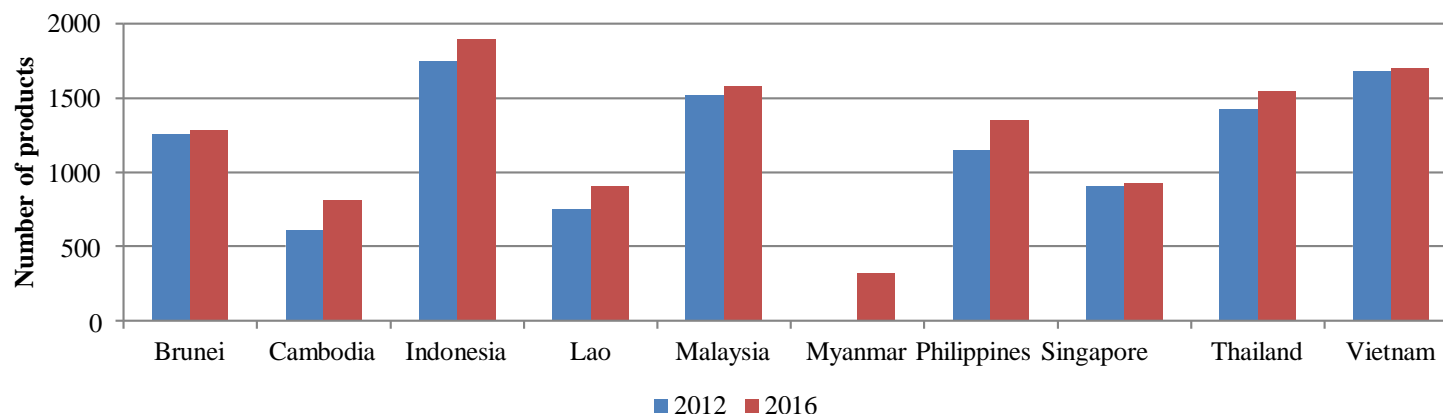
## 1.4.5 Updated AMS comparative advantages

### Progress of ASEAN Integration into the global economy

#### Number of products with RCAX>1



#### Number of products with RCAM>1



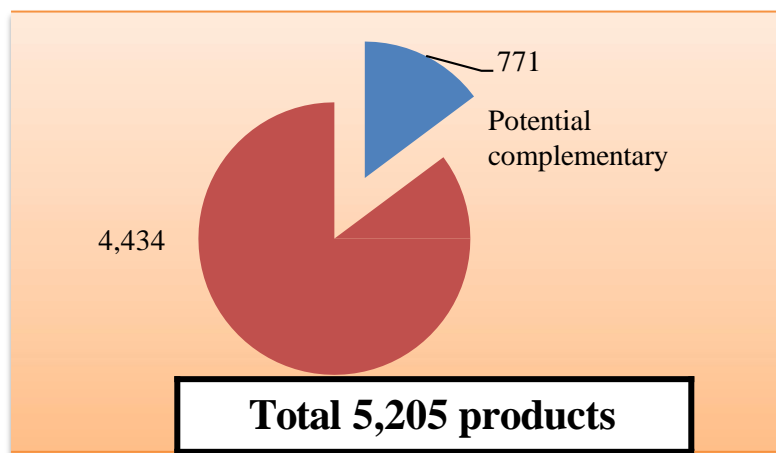


### 1.4.5 Updated AMS comparative advantages

#### Progress of ASEAN to realize Single market and Production base

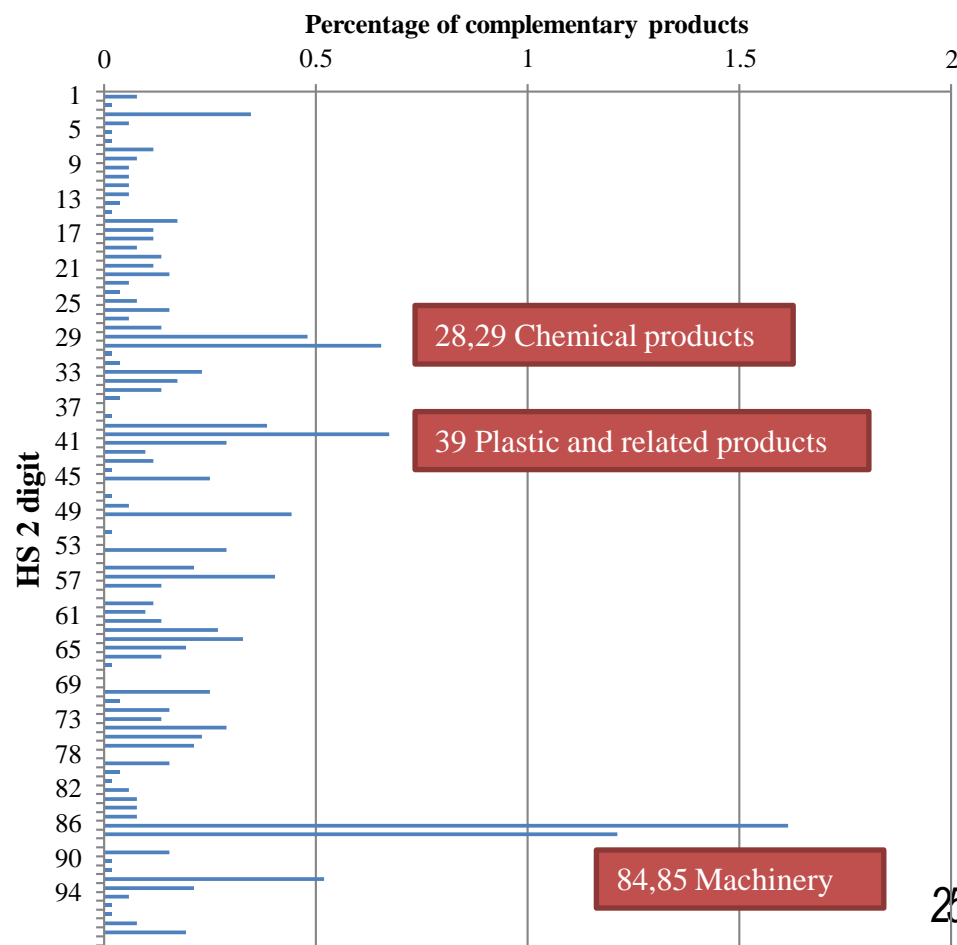
**771 potential products for Intra ASEAN trade to realize Single Market and Production Base**

**(At least one AMS having RCAX>1 while another AMS having RCAM>1)**



**High potential products are in chemical, plastic and machinery sector**

#### Potential product group



## 2. POSITIONING IN THE RTAs IN RELATION TO THE CHANGING GLOBAL ECONOMIC ARCHITECTURE

## 2.1 Globalization of ASEAN

ASEAN is globalizing

ASEAN can and should globalize broader and deeper under multilateral liberalization

Multilateral liberalization under WTO is stumbling

Regional integration could be building blocks (TPP, RCEP, ASEAN-EU)

ASEAN Centrality is a source of bargaining power

- Deepening and comprehensive high quality integration under AEC is a necessary condition
- AEC collective negotiation is a sufficient condition

## TPP minus US

- **Less meaningful than otherwise**
- **Still undermining ASEAN Centrality and AEC negotiation power**

## EU + 1(ASEAN)s

- **Already undermined ASEAN Centrality**

## RCEP

- **Another chance to regain ASEAN Centrality ?**

**AEC is insufficient and even disappointing**

**ASEAN+1s are stumbling blocks**

- **Multiple tariff structures (Tables 1 - 4)**
- **Large number of exclusion/sensitive/highly sensitive products**
- **Prohibitively high tariff spikes**
- **Very restrictive tariff quota**
- **Complicated RoO (Table 5 and 6)**
- **New NTMS and NTBs (Figure 1, 2 and Table 7)**
- **Limited Market Access and National Treatment on Services**
- **Limited Market Access and National Treatment on Investment**
- **Weak/lack of commitment on other issues such as Trade Facilitation Competition Policy, IPR, GP, Environment and Labor**

### GTAP simulation (Table 8)

- **Assuming 33% services liberalization and 33% NTBs reduction**
- **Large welfare gains for most members**
- **High GDP growth for most developing members**

### Modified Gravity Model simulation (Table 9)

- **Trade facilitation has stronger positive impact than tariff reduction on chemical products, plastic and rubber, metal products and machinery but the opposite is found on food products and automobile**
- **Trade facilitation on export has stronger positive impact than on import**

Converging tariff structures across member countries

Single tariff structure in each member country

Converging at zero or near zero tariff rates in each member country

Simple and non-distorting ROO.

Significantly improved trade facilitation

Deepening and comprehensive liberalization of trade in services

Deepening and comprehensive direct investment liberalization

Balanced IPR and Government Procurement Agreements

Comprehensive Consumer Protection and Competition Policy

Fair Dispute Settlement Agreement

Capacity building and technical cooperation

# TDRI

## 2.6 What next for Thailand and AMS

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- **Thailand missed the TPP negotiations**
- **Now is the best time for Thailand to join in**
- **The rest of AMS should also join in TPP**
- **To reinforce ASEAN Centrality**
- **To build a bigger TPP+RCEP block**



**Table 1: Thailand's tariff for selected agricultural products, 2017**

Framework	Soybeansseed	Meat of bovine animals, fresh or chilled- Carcasses and half carcasses	Coffee, not roasted, not decaffeinated	Potatoes
	1201.10.00	0201.10.00	0901.11.10	2004.10.00
Applied MFN	5	50	30	30 or 25 baht/kg
ASEAN	0	0	5	0
ASEAN-China	x	0	x	0
ASEAN-Korea	0	0	0	0
ASEAN-Japan	x	0	x	0
ASEAN-Australia-New Zealand	x	50	x	30
ASEAN-India	x	x	x	0
Thailand-Australia	0	8	6	0
Thailand-New Zealand	0	8	0	0
Thailand-India	x	x	x	X
Thailand-Japan	0	0	273	0
Thailand-Chile	0	0	0	0
Thailand-Peru	x	0	x	0

\* X=Products are excluded from the agreement

Source: TDRI (2017)

**Table 2: Thailand's tariff for selected industrial products, 2017**

Framework	Brake drums, brake discs or brake pipes	Balasts for discharge lamps or tubes	Air conditioning machines, window or wall type	Sheet piling or iron or steel
	8708.3021	8504.1000	8415.10.10	7301.1000
Applied MFN	10	10	30	10
ASEAN	0	0	0	0
ASEAN-China	35	20	20	10
ASEAN-Korea	24	5	5	0
ASEAN-Japan	30	0	0	10
ASEAN-Australia-New Zealand	0	0	0	0
ASEAN-India	x	0	0	x
Thailand-Australia	0	0	0	0
Thailand-New Zealand	0	0	0	0
Thailand-India	x	x	0	x
Thailand-Japan	30	0	0	0
Thailand-Chile	15	0	15	0
Thailand-Peru	x	0	0	0

\* X=Products are excluded from the agreement

Source: TDRI (2017)

## Table 3: Thailand's tariff structure by selected FTAs, 2013

Industry	HS	Applied MFN rate				ASEAN				ASEAN-Korea			
		Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share
All		11.1	80	0	20.6	0.007	5	0	99.9	2.1	80	0	88.4
Agricultural		22.3	65	0	15.6	0.05	5	0	99	1.3	40	0	88.9
Industrial		9.4	80	0	21.3	0	0	0	100	2.2	80	0	88.4
Industry													
Animal Products	01, 02, 04, 05(0501-0507,0510-0511), 15(1501-1506)	21.2	50	0	17.3	0	0	0	100	1.7	40	0	88.6
Fish&Fishery Products	03, 05(0508, 0511), 15(1504), 16(1604,1605)	10	30	1	0	0	0	0	100	0	0	0	100
Vegetable Products	06-14, 15 (1508-1522)	22.1	60	0	21.1	0.1	5	0	97.7	1.2	20	0	86.8
Food	16(1601-1603), 17-23	25.4	65	0	4.4	0	0	0	100	1.6	30	0	89.6
Tobacco	24	47.4	60	30	0	0	0	0	100	0	0	0	100
Mineral	25-27	2.1	30	0	51.5	0	0	0	100	0	0	0	100
Chemicals	28-38	3.3	30	0	51.1	0	0	0	100	0.3	16	0	97.1
Plastic	39	6.5	30	0	22.9	0	0	0	100	0	0	0	100
Rubber	40	7.6	30	0	21.1	0	0	0	100	1.1	20	0	90
Leather	41-43	14.4	30	0	11	0	0	0	100	6.3	32	0	64
Wood	44	6.1	20	0	3.7	0	0	0	100	0	0	0	100
Textiles	50-63	14.2	60	0	0.5	0	0	0	100	0.7	20	0	96.1
Jewelry	71	8.2	60	0	58	0	0	0	100	4.2	20	0	79
Metals	72-76, 78-83	6.5	30	0	29.7	0	0	0	100	2.3	20	0	69.1
Machinery	84	3.9	30	0	18	0	0	0	100	0.6	20	0	95.2
Electrical Machinery & Equipment	85	6.9	30	0	18.5	0	0	0	100	2.7	20	0	74.5
Rail	86	2.8	10	0	4.2	0	0	0	100	0	0	0	100
Automobile	87	41.4	80	0	1.5	0	0	0	100	24.7	80	0	46
Aircraft	88	3	5	0	18.2	0	0	0	100	0	0	0	100
Ship&Boat	89	4.1	10	0	45.3	0	0	0	100	0	0	0	100

## Table 4: Thailand's tariff structure by selected FTAs, 2013

Industry	HS	Thailand-Australia				ASEAN-China				Thailand-Japan			
		Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share
All		0.4	30	0	94.3	3	80	0	88.8	2.9	60	0	73.6
Agricultural		1.3	30	0	90	0.6	60	0	96.9	3.9	23.6	0	55.8
Industrial		0.3	10	0	95	3.4	80	0	87.6	2.8	60	0	76.2
Industry													
Animal Products	01, 02, 04, 05(0501-0507, 0510-0511), 15(1501-1506)	3.3	19	0	74.1	0	0	0	100	3.2	18	0	59.7
Fish&Fishery Products	03, 05(0508, 0511), 15(1504), 16(1604, 1605)	0.1	2	0	92.9	0	0	0	100.0	1.9	7	0	63.1
Vegetable Products	06-14, 15 (1508-1522)	0.5	14	0	96.1	0.1	20	0	99.5	2.9	20	0	61.2
Food	16(1601-1603), 17-23	1.5	30	0	87.7	1.9	60	0	90.5	7.0	24	0	34.6
Tobacco	24	0	0	0	100	0	0	0	100	exclusion	exclusion	exclusion	exclusion
Mineral	25-27	0	0	0	100	0.9	20	0	93.6	0.0	0	0	100
Chemicals	28-38	0	5	0	99.8	0.3	20	0	98	0.2	15	0	97.2
Plastic	39	0	5	0	99.6	0	0	0	100	7.4	11	0	7
Rubber	40	0	5	0	99.53	2.6	20	0	87.1	0.9	7	0	86.4
Leather	41-43	0.1	5	0	97.1	0	0	0	100	1.8	7	0	58
Wood	44	0	0	0	100	0	0	0	100	0.6	4	0	77.6
Textiles	50-63	1.2	5	0	76.9	0.3	30	0	98.1	0.0	1	0	99.9
Jewelry	71	0	0	0	100	0.7	20	0	96.3	0.0	0	0	100
Metals	72-76, 78-83	0.6	10	0	89.7	2.4	20	0	81.8	3.7	20	0	50
Machinery	84	0	0	0	100	3.3	33	0	83.2	2.4	20	0	83.5
Electrical Machinery & Equipment	85	0.2	10	0	97.4	5	20	0	71.9	1.5	15	0	87
Rail	86	0	0	0	100	0	0	0	100	0.0	0	0	100
Automobile	87	0	0	0	100	26.3	80	0	54.2	22.7	60	0	13.7
Aircraft	88	0	0	0	100	0	0	0	100	0.0	0	0	100
Ship&Boat	89	0	0	0	100	0	0	0	100	0.0	0	0	100

Table 5: Frequency by Type of ROOs Used in ASEAN+1 FTAs (HS2002)

ROO type	ATIGA	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA
Single Rule or stricter						
WO	185	294	8		3	458
CC		248	1		735	61
CTH		107			137	4
CTSH					8	
RVC(<40)						36
RVC(40)	149	68	4659		219	22
RVC(>40)						6
RVC(35)+CTSH				5224		
CC with exception*		3			258	
CTH with exception*		10			20	
Various**		43				3
Sub-total	334	773	4,668	5,224	1,380	590
% share in total	6.4%	14.8%	89.4%	100.0%	26.4%	11.3%
<b>"RVC(40) or CTH" or more flexible</b>						
RVC(40) or CTH	2679	2204	122		3057	4076
RVC(40) or CTH or Specific Process Rule		24				
RCV(40) or CTSH	756	1072			33	61
RVC(40) or CTH or [RVC(35)+CTSH]	136	195				
RVC(40) or CTH or Textile Rule	347	6				
Sub-total	3918	3501	122	0	3090	4137
% share in total	75.0%	67.0%	2.3%	0.0%	59.2%	79.2%
Other "or" rules						
RVC(40) or CC or Textile Rule	463					
RVC(40) or CC	453	583	7		126	487
Various***	56	367	427		628	10
Sub-total	972	950	434	0	754	497
% share in total	18.6%	18.2%	8.3%	0.0%	14.4%	9.5%
Total # of 6-digit HS(2002) Lines	5,224	5,224	5,224	5,224	5,224	5,224

Notes: WO- wholly obtained; CC- change in chapter; CTH- change in tariff heading; CTSH change in tariff subheading; RVC- regional value content.

\*Exception varies, from sourcing of materials to process.

\*\*e.g. CTH + RVC (40), CC + RVC (40), CC + Textile Rule.

\*\*\*e.g. [RVC (40)+Textile Rule] or CC, RVC (>40) or CTH.

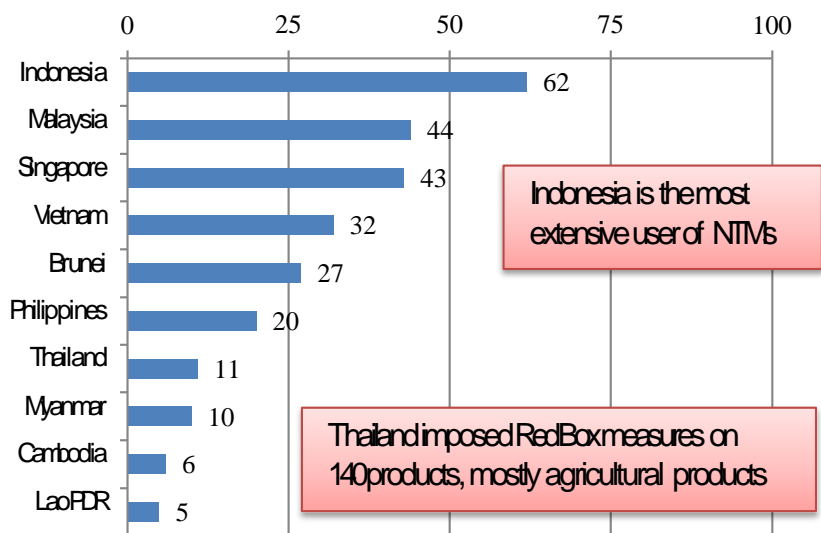
Source: Medalla (forthcoming)

## Table 6: Processing Time for Origin Certificate Procedure

Country	Issuing Body/ Authority	Pre-Export Verification (Examination of Origin)	Issuance of CO
Australia	Australian Industry Group Australian Chamber (ACCI)	Automatic	Within 1 working day  2 hours for electronic application
Brunei	MOFAT, Department of Trade Dev't	30 days (includes company registration)	1-2 working days
Cambodia	Ministry of Commerce (Dept of Mult'l Trade)	Within 7 working days	10 hours, 55 mins
China	Entry-Exit Inspection and Quarantine Bur.	20-30 working days	Within 1 day
Indonesia	Ministry of Trade (Export & Import Facilitation)	15 working days for first time users; 1 working day for exporters in database	Within 1 day
Japan	Japan Chamber (JCCI)	Within 3 working days	Within 2 working days
Korea	Korean Customs Service Korean Chamber (KCCI)	Regular cases: 3 working days; Cases needing onsite examination: 10 working days	
Laos	Ministry of Commerce and Industry	3 - 7 days	3 days
Malaysia	Ministry of International Trade & Industry	5 working days for online, 7 working days for manual application	1 working day for online, 2 days for manual
Myanmar	Ministry of Commerce	7 working days	1 working day
New Zealand	New Zealand Chamber (NZCCI)	1 working day, if procedures and information provided are in order	1 working day
	Independent Verification Services	Within one hour	Within 4 hours
Philippines	Bureau of Customs	Within 5 working days	Within same day
Singapore	Singapore Customs	Step 1: Factory registration - 1 week Step 2: Manufacturing cost statement - at least 7 days before exportation	2- 3 working hours
Thailand	Ministry of Com., Foreign Trade Dept	3 working days	Within 1 day; 4 hours for EDI systems
Vietnam	Government Issuing Authority	Within 5 working days	

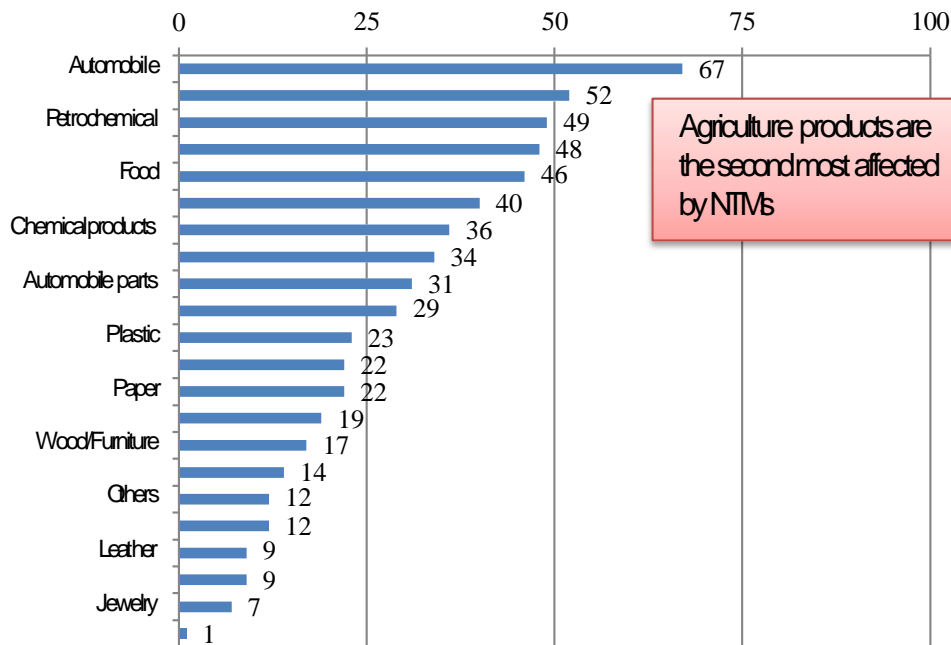
The possibility to encounter the applicable non-tariff measures in ASEAN countries by enforcing countries

**Figure1: The proportion of goods being enforced with NTMs at least one measure**



The possibility to encounter the applicable non-tariff measures in ASEAN countries by industries

**Figure2: The proportion of goods being enforced with NTMs at least one measure**



Source: TDRI (2016), "The Feasibility of Comprehensive Economic Partnership Agreement between the Republic of Korea and Thailand (CEPA)"

Measures most commonly used by AMS are standards, non-automatic licensing, and import prohibition

**Table 7: Types of non-tariff measures adopted in ASEAN member countries**

Type	NTMs	THA	INA	MYS	SGP	PHI	BRU	VIE	CAM	LAO	MYM
Automatic licensing	Automatic licensing	*	*	*	*		*	*	*	*	
Technical	Standards, testing, labeling	*	*	*	*	*	*	*	*		*
	Pre-shipment inspection		*								
Quantity-control	Non-automatic licensing	*	*	*	*	*	*		*	*	*
	Import quota		*	*				*			
	Import prohibition	*	*	*	*	*	*	*	*	*	*
Monopolistic	Monopoly		*	*				*	*	*	*
Financial	Terms of payment										*
Price-control	Anti-dumping duties	*	*	*	*	*					
	Countervailing duties										
	Safeguard	*	*			*					



**Table 8: Macroeconomic Impacts of Possible RCEP on Members' Economy**  
(Unit: Percentage change otherwise specified)

Variable	Australia	New Zealand	China	Japan	India	Korea	Thailand	Indonesia	Malaysia	Philippines	Singapore	Vietnam
Welfare (EV), (Million US\$)	20,081	3,487	212,051	88,792	83,275	54,295	27,049	30,822	32,645	29,596	7,036	27,829
- Allocative Efficiency	3,836	757	45,336	18,283	18,618	14,935	3,029	2,857	3,408	3,007	721	6,633
- Endowments Change	4,095	1,490	100,382	24,324	33,199	22,006	14,863	11,743	15,030	18,198	3,189	10,003
- Technical Change	5,033	1,118	91,875	25,126	40,741	20,001	11,973	15,244	18,195	11,842	3,075	16,904
- Terms of Trade	7,079	132	-30,831	24,208	-7,383	-1,965	-3,595	775	-6,579	-3,735	506	-4,238
GDP	1.855	2.823	7.713	1.975	8.377	6.413	13.468	7.484	21.913	25.81	4.389	55.907
Private Consumption	2.828	3.036	5.981	2.692	7.432	7.4	12.992	7.757	19.02	23.59	4.568	42.994
Investment	3.34	3.984	9.496	3.047	9.468	8.105	14.69	7.727	22.793	29.77	4.991	68.746
Value of Export	7.19	5.922	19.947	9.326	24.343	10.926	14.415	13.106	20.405	29.238	3.472	49.195
Value of Import	11.532	6.607	21.869	13.584	18.548	12.203	13.263	14.224	17.615	24.106	3.241	45.647
Terms of Trade	4.084	0.358	-2.272	2.955	-2.69	-0.439	-1.695	0.489	-2.786	-4.162	0.234	-5.374
Inflation	1.186	-0.582	-1.409	2.187	-2.934	-3.652	-3.914	-1.062	-4.431	-2.835	-0.197	-6.629
CO <sub>2</sub> Emission	-1.003	1.975	1.772	1.891	-3.668	5.258	7.378	1.069	16.644	20.745	3.379	35.832
Ratio of Return to Primary Factor to CPI												
-Land	69.733	17.159	16.132	-25.282	15.79	-70.862	15.225	18.503	18.704	3.973	20.664	0.919
-Unskilled labor	2.952	3.105	6.731	2.898	8.605	10.99	11.782	7.575	18.774	21.089	4.429	51.749
-Skilled labor	2.328	2.863	6.964	3.008	7.929	11.392	12.193	7.264	18.209	26.651	4.665	51.6
-Capital	-0.384	-0.478	-1.827	0.293	-0.935	4.423	0.453	-1.112	-1.118	-1.811	-0.076	-3.384
-Natural Resource	13.668	11.847	-3.062	-5.928	3.257	13.679	15.338	9.73	16.057	14.507	14.696	19.715
Ratio of Tax to INCOME (Change)												
- Total Tax	-0.00438	-0.00254	-0.00858	-0.00153	-0.01056	-0.01604	-0.00463	-0.00088	-0.00117	-0.00229	-0.00073	-0.02351
- Private consumption tax	-0.0001	-9.6E-05	0.000428	-0.00018	-8.6E-05	0.000115	-0.00049	0.000091	-8.5E-05	-0.00076	-7.7E-05	-0.00258
- Income tax	0.00066	0.000394	0.000106	0.000298	0.000402	0.00155	0.000389	0.000043	0.000565	0.000401	0	0.002621

Source: TDRI (2016), "Impact Assessment of the Regional Comprehensive Economic Partnership (RCEP) and Appropriate Negotiation Options for Thailand"

**Table 9: Trade gravity results: 6 main industries**

Industry:	Food Products (HS16-23)			Chemicals (HS 28-38)		
	(Baseline)	(Modified I)	(Modified II)	(Baseline)	(Modified I)	(Modified II)
Dependent variable:	Export	Export	Export	Export	Export	Export
Bilateral Sum of GDP ( $G_{ij}$ )	0.130*** (0.00128)	0.123*** (0.00153)	0.140*** (0.00139)	0.164*** (0.000691)	0.146*** (0.000758)	0.177*** (0.000697)
Similarity in Country Size ( $S_{ij}$ )	0.00990*** (0.000581)	0.00938*** (0.000720)	0.00538*** (0.000655)	0.00676*** (0.000316)	0.00830*** (0.000353)	0.00265*** (0.000324)
Difference in Relative Factor Endowments ( $R_{ij}$ )	-0.0311*** (0.00114)	-0.0271*** (0.00129)	-0.0301*** (0.00120)	0.00622*** (0.000549)	0.0118*** (0.000590)	0.0171*** (0.000544)
Log Distance	-0.140*** (0.00147)	-0.129*** (0.00166)	-0.156*** (0.00154)	-0.112*** (0.000766)	-0.106*** (0.000798)	-0.132*** (0.000701)
Dummy: Border	0.109*** (0.00404)	0.0850*** (0.00500)	0.0827*** (0.00451)	0.0698*** (0.00217)	0.0633*** (0.00244)	0.0739*** (0.00214)
Dummy: Common Language	0.0359*** (0.00334)	0.0254*** (0.00378)	0.0433*** (0.00338)	-0.0154*** (0.00171)	-0.0260*** (0.00181)	-0.00620*** (0.00160)
Trade Facilities (Exporters)		0.000952 (0.00587)	0.0150*** (0.00539)		0.154*** (0.00280)	0.206*** (0.00265)
Trade Facilities (Importers)		0.0364*** (0.00526)	0.0574*** (0.00472)		0.0928*** (0.00251)	0.113*** (0.00228)
Log(1+tariff)		-0.0874*** (0.0129)	-0.138*** (0.0103)		0.110*** (0.0120)	-0.0668*** (0.0128)
Constant	-0.998*** (0.0352)	-1.013*** (0.0420)	-0.990*** (0.0398)	-2.234*** (0.0189)	-2.754*** (0.0213)	-4.131*** (0.0270)
Product Fixed Effects	No	No	Yes	No	No	Yes
Year Fixed Effects	No	No	Yes	No	No	Yes
Observations	187,768	151,911	151,911	686,566	633,210	633,210
R-squared	0.144	0.112	0.261	0.105	0.106	0.288

Notes: Standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Table 9: Trade gravity results: 6 main industries (cont.)

Industry: Dependent variable:	Plastic and Rubbers (HS 39-40)			Metals (HS 72-83)		
	(Baseline) Export	(Modified I) Export	(Modified II) Export	(Baseline) Export	(Modified I) Export	(Modified II) Export
Bilateral Sum of GDP ( $G_{it}$ )	0.169*** (0.000908)	0.143*** (0.000976)	0.162*** (0.000874)	0.171*** (0.000674)	0.144*** (0.000725)	0.162*** (0.000663)
Similarity in Country Size ( $S_{it}$ )	-0.00136*** (0.000412)	0.00236*** (0.000457)	-0.000830** (0.000411)	-0.00495*** (0.000300)	-0.00346*** (0.000334)	-0.00670*** (0.000305)
Difference in Relative Factor Endowments ( $R_{it}$ )	0.00192** (0.000761)	0.0139*** (0.000810)	0.0168*** (0.000727)	0.0184*** (0.000548)	0.0323*** (0.000593)	0.0308*** (0.000547)
Log Distance	-0.162*** (0.00102)	-0.156*** (0.00104)	-0.175*** (0.000895)	-0.165*** (0.000738)	-0.155*** (0.000761)	-0.167*** (0.000679)
Dummy: Border	0.0617*** (0.00294)	0.0535*** (0.00321)	0.0588*** (0.00273)	0.0685*** (0.00211)	0.0612*** (0.00238)	0.0621*** (0.00206)
Dummy: Common language	-0.00432* (0.00241)	-0.0209*** (0.00250)	-0.0131*** (0.00216)	-0.000939 (0.00169)	-0.0167*** (0.00178)	-0.00413** (0.00161)
Trade Facilities (Exporters)		0.249*** (0.00372)	0.292*** (0.00339)		0.209*** (0.00279)	0.248*** (0.00258)
Trade Facilities (Importers)		0.113*** (0.00335)	0.129*** (0.00298)		0.132*** (0.00248)	0.153*** (0.00223)
Log(1+tariff)		-0.0844*** (0.0164)	-0.195*** (0.0158)		-0.344*** (0.0123)	-0.112*** (0.0109)
Constant	-1.841*** (0.0250)	-2.595*** (0.0280)	-3.636*** (0.0903)	-1.985*** (0.0185)	-2.663*** (0.0212)	-3.679*** (0.223)
Product Fixed Effects	No	No	Yes	No	No	Yes
Year Fixed Effects	No	No	Yes	No	No	Yes
Observations	301,659	287,013	287,013	647,305	605,731	605,731
R-squared	0.170	0.176	0.364	0.147	0.150	0.317

Notes: Standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Source: TDRI (2016), "The Feasibility of Comprehensive Economic Partnership Agreement between the Republic of Korea and Thailand(CEPA)"



Table 9: Trade gravity results: 6 main industries (cont.)

Industry: Dependent variable:	Machinery (HS84-85)			Automobile (HS87)		
	(Baseline) Export	(Modified I) Export	(Modified II) Export	(Baseline) Export	(Modified I) Export	(Modified II) Export
Bilateral Sum of GDP ( $G_{ij}$ )	0.192*** (0.000483)	0.163*** (0.000522)	0.185*** (0.000465)	0.164*** (0.00157)	0.148*** (0.00174)	0.166*** (0.00157)
Similarity in Country Size ( $S_{ij}$ )	-0.00549*** (0.000214)	-0.00436*** (0.000241)	-0.00771*** (0.000214)	-0.00927*** (0.000683)	-0.00660*** (0.000820)	-0.0114*** (0.000740)
Difference in Relative Factor Endowments ( $R_{ij}$ )	0.00127*** (0.000397)	0.0176*** (0.000435)	0.0199*** (0.000391)	-0.0444*** (0.00136)	-0.0443*** (0.00153)	-0.0352*** (0.00141)
Log Distance	-0.135*** (0.000543)	-0.127*** (0.000565)	-0.146*** (0.000490)	-0.148*** (0.00181)	-0.142*** (0.00189)	-0.160*** (0.00159)
Dummy: Border	0.0330*** (0.00169)	0.0333*** (0.00189)	0.0378*** (0.00164)	0.0345*** (0.00525)	0.00933 (0.00590)	0.0328*** (0.00500)
Dummy: Common language	0.0171*** (0.00128)	0.00357*** (0.00132)	0.0168*** (0.00112)	-0.0368*** (0.00413)	-0.0342*** (0.00440)	-0.0279*** (0.00386)
Trade Facilities (Exporters)		0.300*** (0.00204)	0.360*** (0.00184)		0.127*** (0.00686)	0.161*** (0.00639)
Trade Facilities (Importers)		0.172*** (0.00185)	0.193*** (0.00164)		0.0616*** (0.00633)	0.0611*** (0.00557)
Log(1+tariff)		-0.0872*** (0.0105)	-0.184*** (0.0104)		0.162*** (0.0141)	-0.219*** (0.0148)
Constant	-2.720*** (0.0135)	-3.851*** (0.0153)	-4.588*** (0.0166)	-1.683*** (0.0434)	-2.036*** (0.0503)	-2.675*** (0.0875)
Product Fixed Effects	No	No	Yes	No	No	Yes
Year Fixed Effects	No	No	Yes	No	No	Yes
Observations	1,080,808	970,136	970,136	99,322	92,249	92,249
R-squared	0.166	0.190	0.381	0.176	0.166	0.373

Notes: Standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Source: TDRI (2016). "The Feasibility of Comprehensive Economic Partnership Agreement between the Republic of Korea and Thailand(CEPA)"

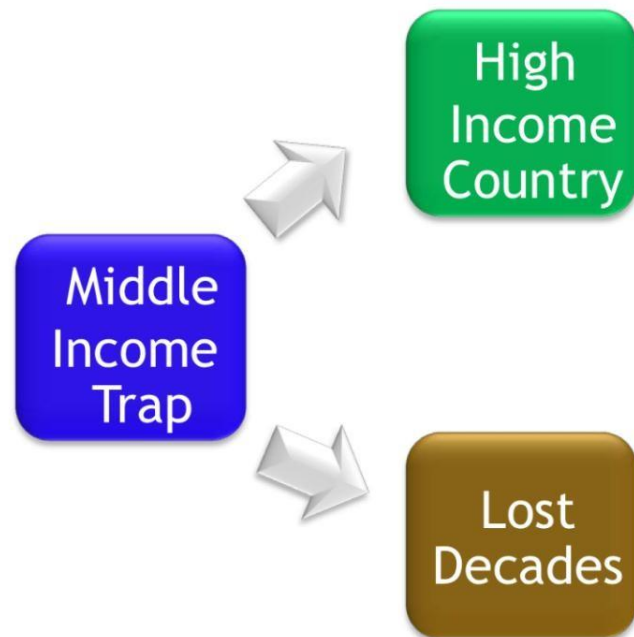
## 3. PREPARATIONS OF DOMESTIC ECONOMY AND CONSTITUENCY FOR THE AEC

- **Too shallow and too narrow commitments and deliverables, particularly with respect to NTMs, investment, services and MRAs**

- **Inconsistent with AEC commitments, e.g. domestic price intervention on rice and maize and NTB on maize**
- **Inadequate financial and technical assistance to farmers and SMEs for adjustment and restructuring**
- **Inappropriate investment promotion and industrial policy and incentive instruments**
- **Inconsistent policies and unequal treatments across sectors, along value chains and by size of businesses**
- **Outdated law and regulations**
- **Too many and long bureaucratic red tape**
- **Unnecessary and overlapping documents and permits requirements**
- **Inadequate infrastructures, e.g. transportation, logistics, power, water drainage, etc.**
- **Urgent need of economic reform and regulatory reform**

## 3.3.1 Thailand 4.0

### Thailand's Scenario

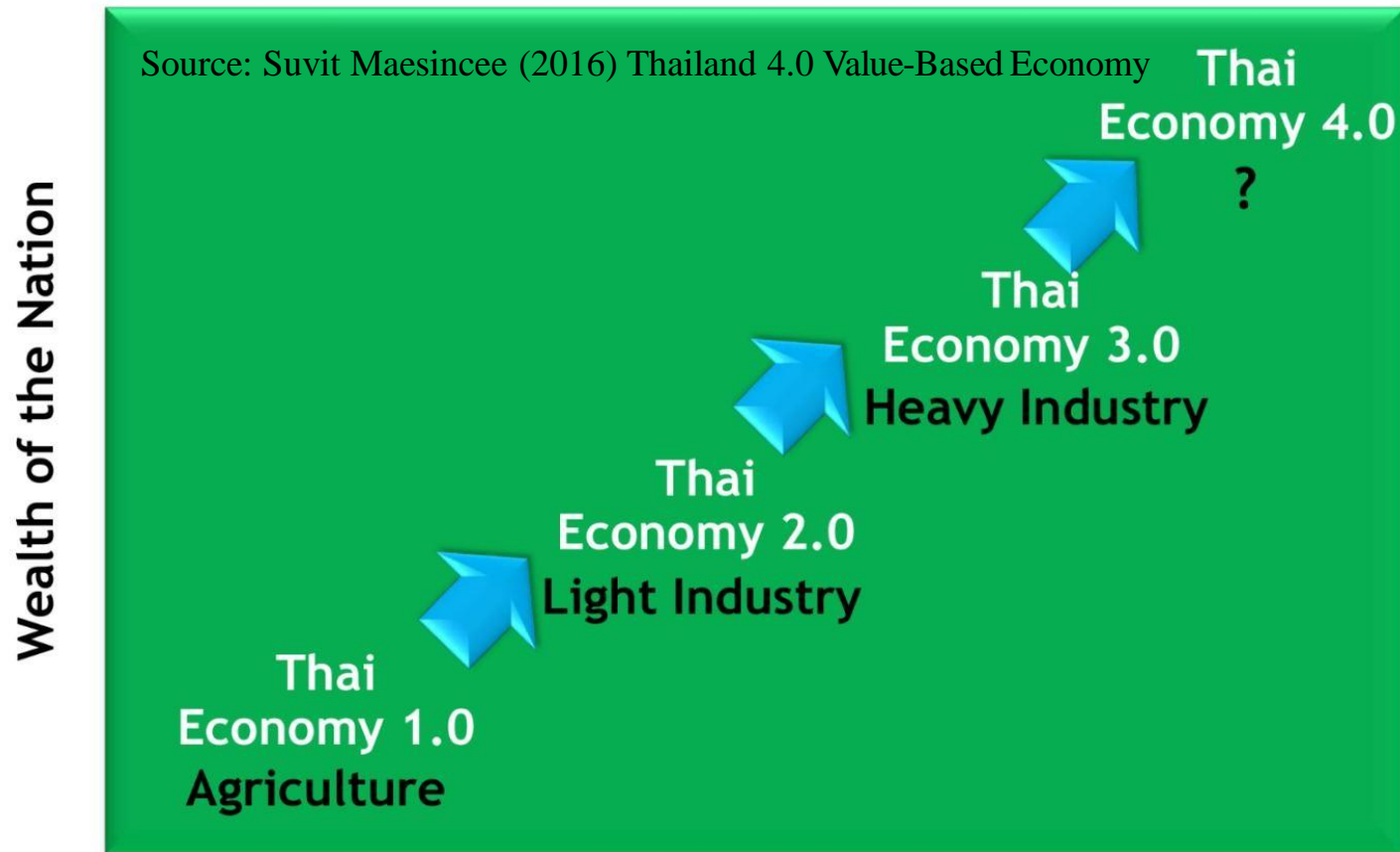


Source: Suvit Maesincee (2016) Thailand 4.0 Value-Based Economy



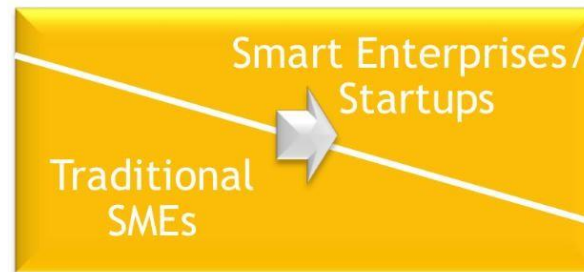
## 3.3.1 Thailand 4.0

### Thailand's Economic Model



## 3.3.1 Thailand 4.0

### Transformative Shifts



Source: Suvit Maesincee (2016) Thailand 4.0 Value-Based Economy



## 3.3.1 Thailand 4.0

### Investment-led Transformation

Source: Suvit Maesincee (2016) Thailand 4.0 Value-Based Economy



- High-Technology
- High Skilled Labor
- Low-Technology
- Unskilled Labor

## 3.3.2 AEC Connect

### Objectives

- **To increase competitiveness and upgrade Thailand as a Trading Nation**
- **Strengthen private sectors and create opportunities for trade and investment in ASEAN countries**

### Strategies

- **Adjust policies to promote trade and investment**
- **Facilitate cross-border trade**
- **Develop new channels for trade i.e. E-commerce**
- **Develop logistic linkages**
- **Increase brand competitiveness**
- **Establish good relations with ASEAN countries**

Source: TDRI (2016) “AEC Connect”

**THANK YOU**

**TERIMA KASIH**

**ขอบคุณครับ**

**ຂອບໃຈ**

**SALAMAT PO**

**မမံတုဏ္ဍာ**

**cảm ơn bạn**

**ကျေးဇူးတင်ပါတယ်**