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Government Strategy and Support for Regional Trade Agreements: The Case of Thailand

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Abstract: *Academic literature has theoretically discussed government strategy on regional trade agreements (RTAs) and has empirically identified some elements that play significant roles for that. The purpose of this study is to check the validity of these elements by means of a questionnaire survey of government officials in Thailand. For example, it asks how the officials choose the RTA partners, the products to be excluded from liberalization, and the liberalization patterns. Furthermore, in order to clarify who has influence on the officials' decision, the survey asks the order of priority among several kinds of stakeholders. Our findings provide valuable insight about understanding the formulation process of trade negotiation strategy and the motivation for different liberalization patterns from the policy-makers' perspective.*

Keywords: Regional trade agreements; Government; Thailand

JEL Classification: F15; F53

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1. Introduction

In the past few decades, Thailand's economic development has relied heavily on foreign trade and investment. The international trade share of GDP has risen substantially from 80 percent of GDP in 1993 to 144 percent of GDP in 2013. Thai government policies have consistently aimed to promote liberalization of trade and investment. As of 2014, 12 regional trade agreements (RTAs) with 16 countries have entered into force. According to the survey results of this study, Thailand's trade policy-makers recognize the main benefit of RTAs as opportunities to increase export sales due to widening market access. Also, they are aware that overly restrictive standards and sanitary and phytosanitary (SPS) regulations play the main role in discouraging Thailand to maximize the benefits of RTAs. In addition, Thailand's trade policy-makers are keenly aware that liberalizing trade in Thailand would bring in more competition from imported products.

The academic literature has theoretically discussed the government's strategy on RTAs and has empirically identified some elements that play significant roles in that. In particular, the following three studies are important in this context. First, Baier and Bergstrand (2004) theoretically identify the elements that affect the selection of RTA partners. For example, two countries with larger market size, similar economic development, or similar cultures are likely to form RTAs. In addition, the likelihood of RTA formation is higher between two countries that originally have large trade values (Magee, 2003), are democratic (Mansfield *et al.*, 2002), and have the potential of political conflict (Martin *et al.*, 2012). In sum, the existing studies have shown that not only economic elements but also political factors play significant roles regarding RTA formation.

Second, some studies including Olarreaga and Soloaga (1998), Gawande *et al*. (2001), and Damuri (2012) have shown the elements affecting the choice of products excluded from liberalization by RTAs. Specifically, these studies have shed light on the industrial characteristics including the extent of industry concentration or international competitiveness, the magnitude of import penetration, the prevalence of intra-industry trade, the level of wages, MFN rates, the significance of employment size, the potential magnitude of trade creation, and the distribution of firms' productivity. These elements are basically those suggested by the theoretical model in

Grossman and Helpman (1994). As a result, for example, Damuri (2012) found that countries are likely to exclude products with higher MFN rates, or smaller import value, or products in which the partner country has international competitiveness.

Third, many studies theoretically have examined under what circumstances each liberalization pattern becomes dominant (Staiger, 1995; Furusawa and Lai, 1999; Bond and Park, 2002; Gawande *et al.*, 2006; Maggi and Rodriguez-Clare, 2007). There are several patterns of tariff reduction. For example, while "immediate elimination" refers to completely eliminating tariffs just after entry into force, "long phase" means to reduce tariffs gradually for some years. Theoretical studies have discussed what kind of elements play significant roles in choosing these liberalization patterns. For example, the extent of production factor mobility is one of the most crucial elements. If the production factors in import-competing industries can be moved freely across industries, preferential rates will immediately be set to zero due to no lobbying in such case. In addition, the speed of tariff reduction is shown to increase with the degree of capital mobility (Maggie and Rodriguez-Clare, 2007).

The purpose of this study is to check the validity of these elements through the questionnaire survey of government officials in Thailand.[1] For example, it asks how the officials choose the RTA partners, the products to be excluded, and the liberalization patterns. Furthermore, in order to clarify who has influence on the officials' decision, the survey asks the order of priority among several kinds of stakeholders. This question will contribute to specifying significant players when modeling political economic forces in the future. Specifically, we sent the questionnaire to approximately 30 officials (out of around 40 officials) in the Department of Trade Negotiation in the Ministry of Commerce of Thailand, that is in charge of the "ASEAN plus" RTAs. The study received survey responses from 21 officials whose work relates to RTAs for an average duration of 4.2 years. From an academic background, the survey respondents are all Master-degree level graduates, and two have Ph.D.s. The survey results are computed as a percentage of the overall respondents by counting the number of top-rank choice responses.

The rest of this paper is organized as follows. Before discussing the government strategy on RTAs, the next section introduces the policy package in Thailand to support

[1] Our questionnaires are available in the Appendix.

firms' RTA utilization. This section is informative to know how the Thai government tries to encourage RTA utilization. Section 3 starts our analysis of the government's strategy for RTAs. We examine the selection of RTA partners, liberalization patterns, and the significant players in the decision. Lastly, Section 4 concludes this paper.

2. Policy Packages for Enhancing Preference Utilization

In general, preference utilization-related activities can be categorized into five main categories; namely, one-way dissemination of key information, consultation and provision of training programs, monitoring of preference utilization and awareness raising campaigns, facilitation of preference utilization, and policy coordination among agencies. In Thailand, there are five government agencies that are actively engaged in the implementation of these activities; Department of Trade Negotiation (DTN), Department of Foreign Trade (DFT), Department of International Trade Promotion (DITP), Customs Department, and the Office of Industrial Economics (OIE). While the first three are under the Ministry of Commerce, the fourth and the fifth are under the Ministry of Finance and Ministry of Industry, respectively. Table 1 summarizes the activities implemented by each responsible authority.

Table1: Implementation of FTA Utilization-related Activities by Thai Government Agencies

Activities	Department of Trade Negotiations	Department of Foreign Trade	Department of International Trade Promotion	Customs Department	Office of Industrial Economics
Policy coordination with other agencies	No hard evidence of related activities so far	No hard evidence of related activities so far	No hard evidence of related activities so far	No hard evidence of related activities so far	No hard evidence of related activities so far
One-way dissemination of key information	- Online FTA agreement text - Online interactive query for Thai and FTA-partners' tariffs - Online and offline FTA utilization guidebook for exporters and importers	- Online FTA agreement text - Online legal text of regulations for all exporters and importers who needs its authorization - Online and offline FTA utilization guidebook for all exporters and importers who needs its authorization	No FTA-specific information provided	- Online interactive query for Thai tariffs - Online legal text of regulations for all importers - Online and offline FTA utilization guidebook for all importers	- Online legal text of regulations for importers who need its authorization
Consultation and awareness raising campaign	- AEC information center - Call center - Seminars	- Call center - Seminars	- AEC business support center - Seminars	- Call center - Seminars	- Seminars
Monitoring of FTA utilization	No hard evidence of related activities so far	Monthly and annually monitoring of FTA utilization by exporters	No hard evidence of related activities so far	Monthly and annually monitoring of FTA utilization by importers	Annually monitoring of FTA utilization by exporters and importers
Facilitation of FTA utilization	Not applicable	- One stop export service center - Digital signature system for certificates of origin issuance - Self-certification system by certified exporters	Not applicable	- Advanced rulings on preferential tariffs and rules of origin	No hard evidence of related activities so far

Source: Authors' compilation

2.1. One-way Dissemination of Key Information

Concerning the first activity, the Thai government disseminates key information through various communication channels. In addition to traditional media, the information is progressively published through new media, which proves to be much more cost effective. Hundreds of pamphlets and books as well as thousands of public announcements through newspaper, radio, and television broadcasts are delivered annually altogether traditional media. While websites are the most widely used form of new media, social networks like Facebook and Twitter have also recently been introduced. As of December, 2014, there are eight official websites and two social networks available; www.thaifta.com, www.dtn.go.th, www.thailandntr.com, www.thailandaec.com, www.dft.go.th, www.ditp.go.th, www.customs.go.th, www.oie.go.th, www.facebook.com/TradeNegotiations, twitter@Dtn_thailand. The first four websites and the two social networks belong to the DTN.

The content provided through these media can be broadly classified into five main categories; update of news and events, agreement text, preferential tariff rates, legal text of regulations, and the preference utilization guidebook. This content differs among the various authorities. It is quite common that the authorities in Thailand mainly publicize their news and events as well as key information on their own turf and rarely handle that of others. Consequently, if firms would like to read any RTA texts online, they have to directly go to the DTN's websites or indirectly link to these websites after going to the DFT's website (see Figure 1). When firms would like to research for RTA partner's preferential tariffs, they go to either the DTN's or the DFT's websites in which unofficial tariff information is referred from RTA texts but does not necessarily represent the one currently in practice (see Figures 2 and 3). For those who seek official tariff information, the Customs authority's website is the only destination. Some of these authorities' websites, including that of the Thai Customs Department, provide an interactive query tool in English (see Figure 4). When Thai firms would like to study the legal texts of any related regulations necessary for securing important documents, e.g., certificates of origin and a quota allocation register, they refer to the relevant authorized bodies' websites in the DFT, the OIE, or the Customs Department (see Figures 5 and 6). Interestingly, there are a number of preference utilization guidebooks for both exporters and importers that translate such legal texts into more easy-to-comprehend diagrams provided by many Thai government agencies (see Figure 7).

Figure 1: Website of Department of Trade Negotiations Providing Agreement Texts

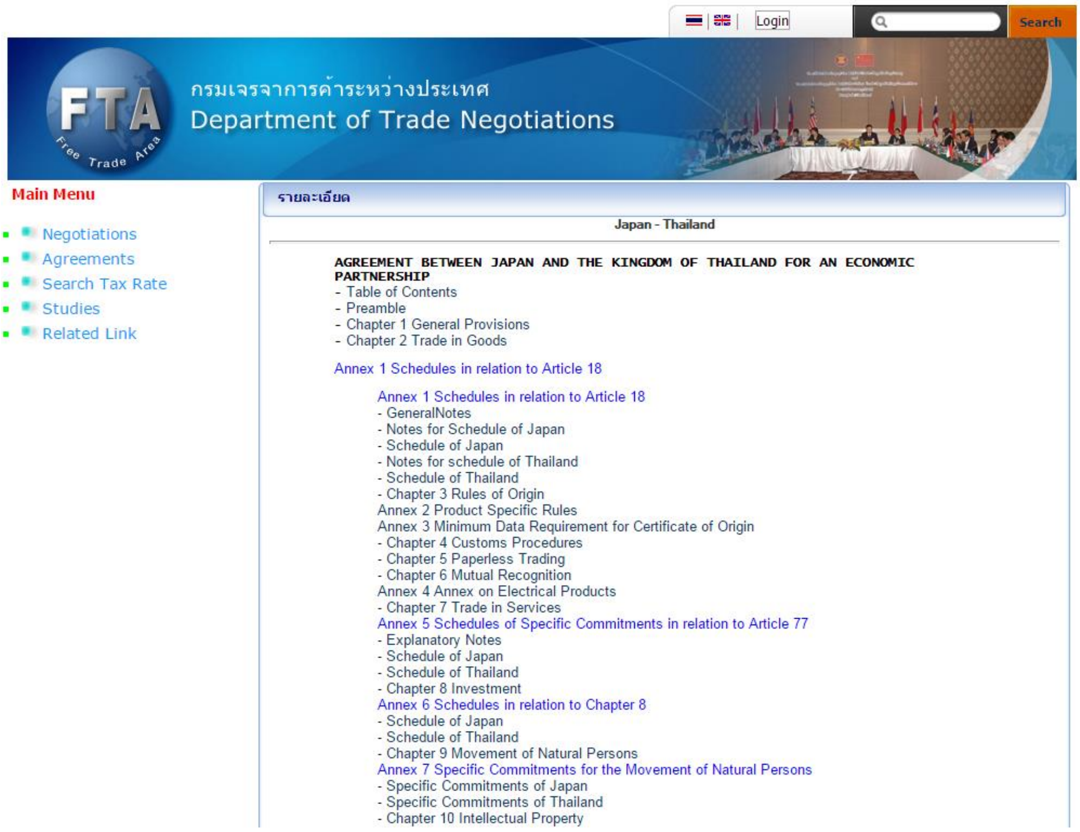


Figure 2: Website of Department of Trade Negotiations Providing Unofficial Tariff Information

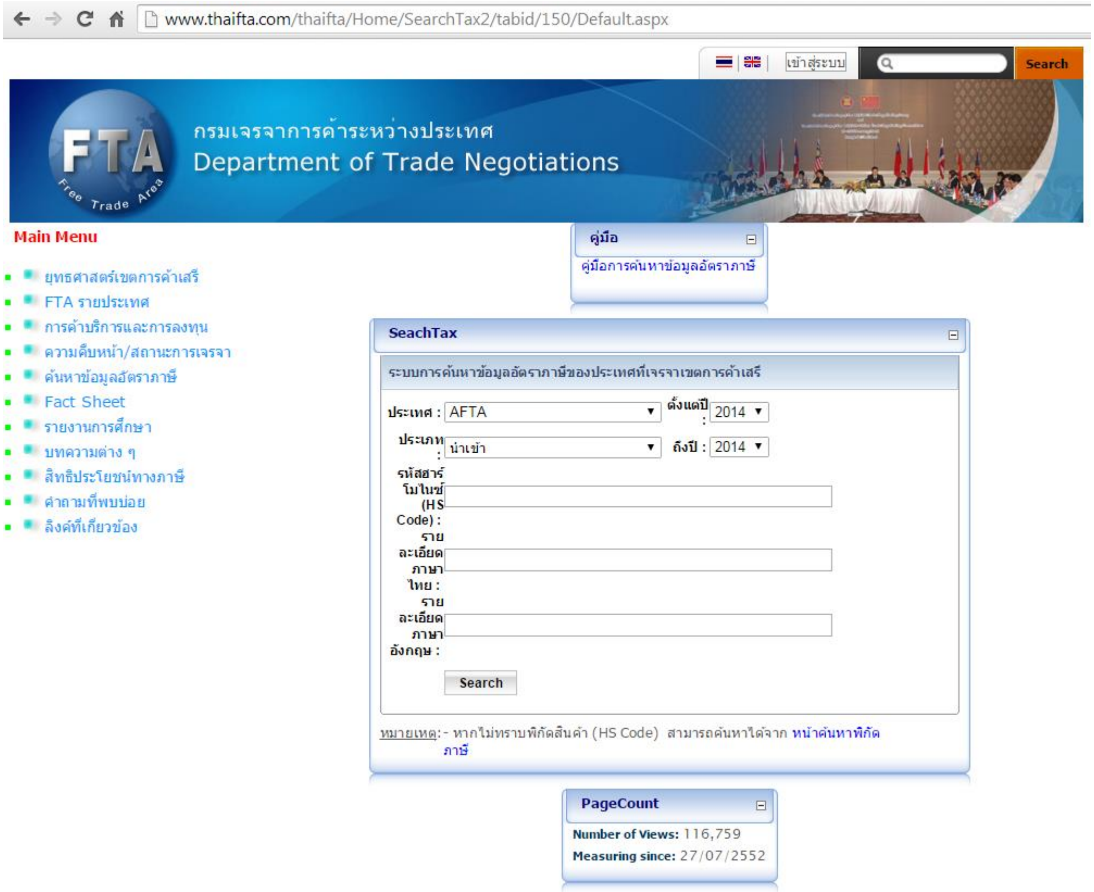


Figure 3: Website of Department of Foreign Trade Providing Unofficial Tariff Information

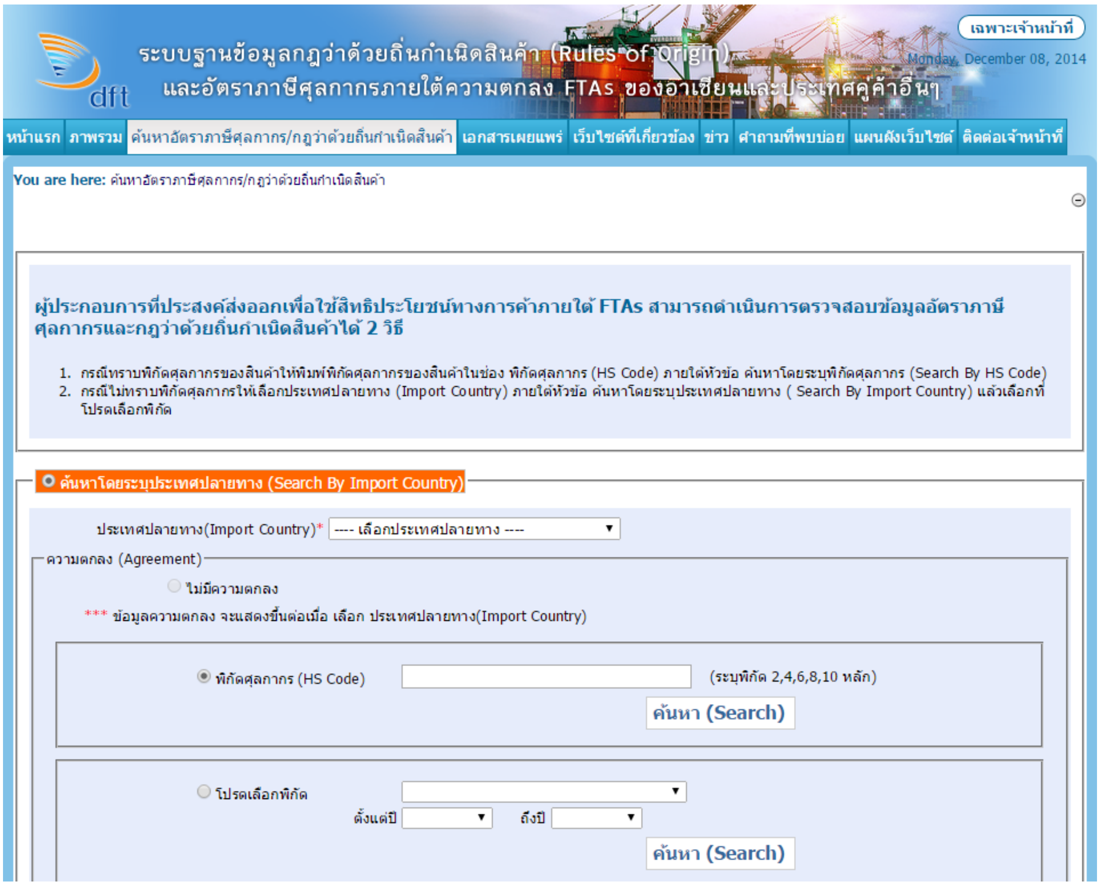


Figure 4: Website of Customs Department Providing Official Tariff Information

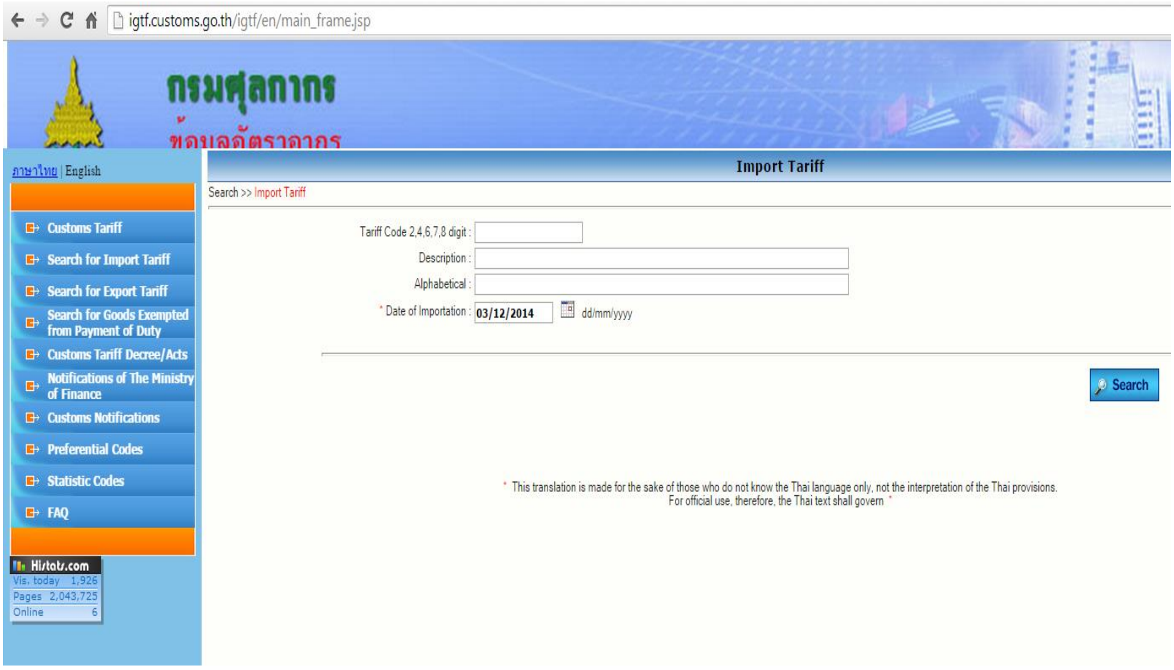


Figure 5: Website of Department of Foreign Trade Providing Legal Text of Regulations for Firms Who Need Its Authorization

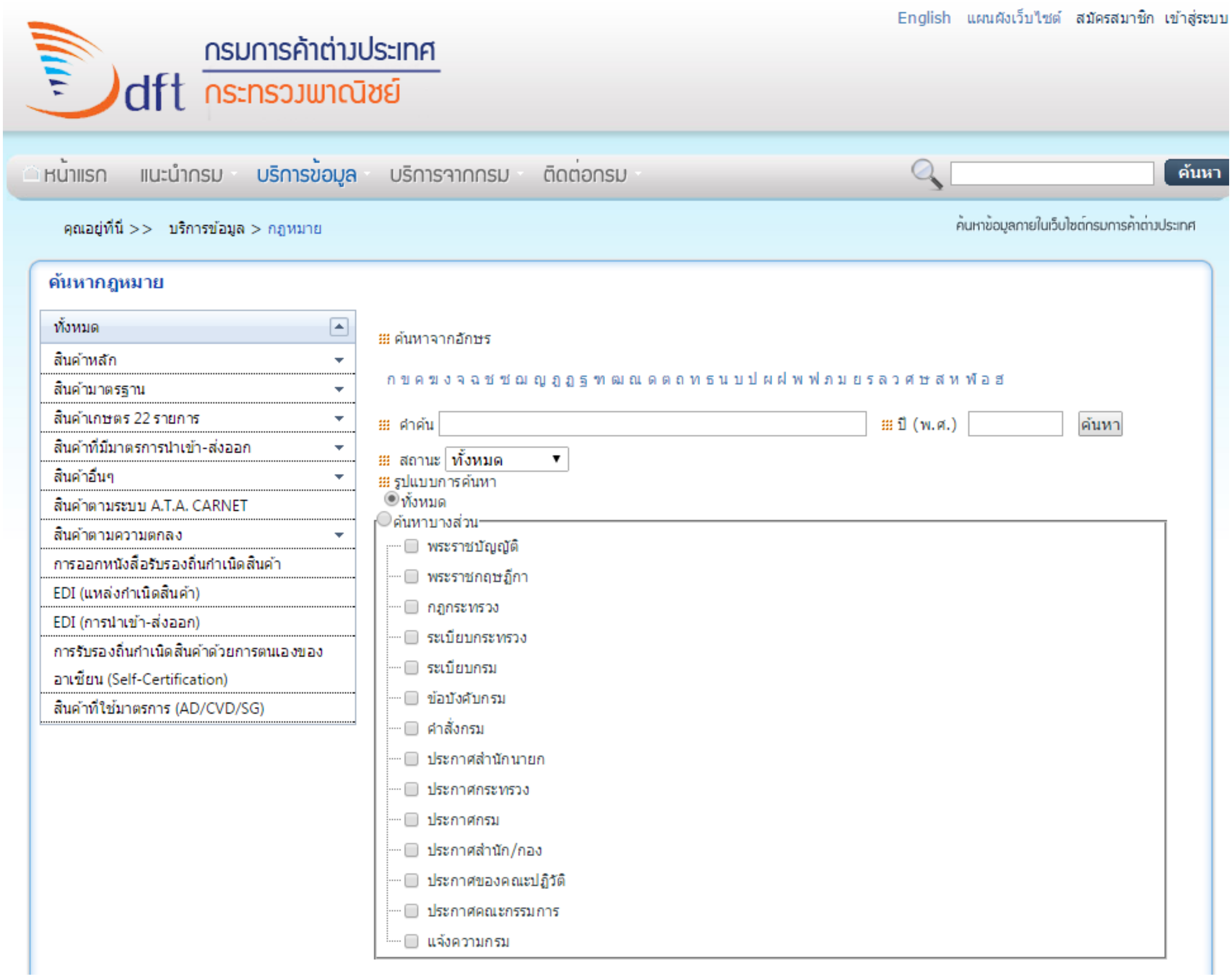


Figure 6: Website of Customs Department Providing Legal Text of Regulations for Firms Who Need Its Authorization

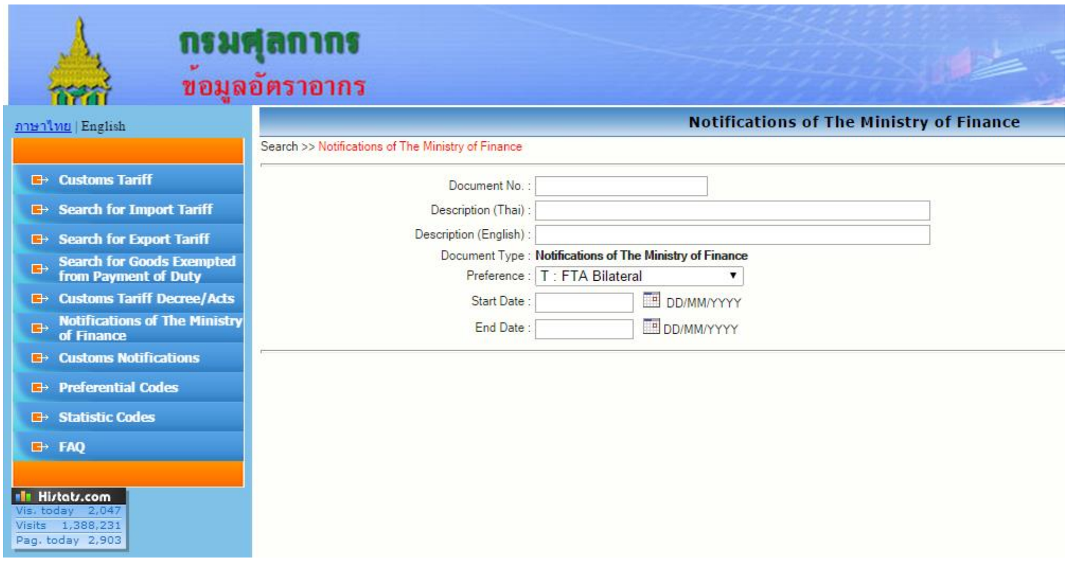
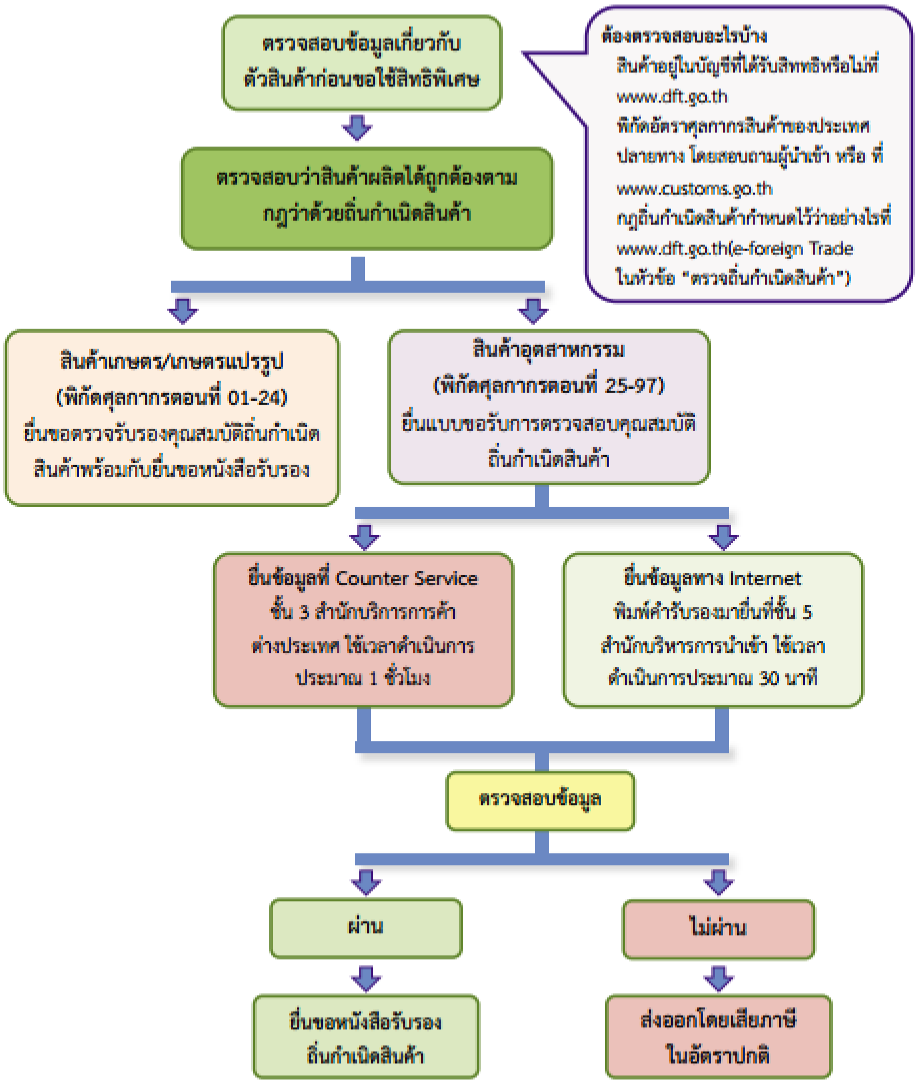


Figure 7: Simplified Flow Chart on How to Apply for CoOs That Appear in the Preference Utilization Guidebook Published by the Department of Foreign Trade



Critics often question the effectiveness of the one-way dissemination of RTA related information by the Thai government. In order to increase its effectiveness, the government should address at least the following three issues. First, the government should review the information needs by assessing what types of information content are of interest and relevant to firms who are trying for making use of preferences. The official and up-to-date applicable preferential tariff rates imposed by all RTA partners are, in particular, among the top priorities that the Thai government should address.

Second, the government should keep all related official and up-to-date information on only one website. When information provided on one website is not consistent with another, ambiguity occurs, and firms might delay a decision or even call off preference utilization. Having only one official website would not only reduce confusion but also prevent duplication and unnecessary cost and thus save the government's budget.

Last but not least, the government should understand firms' linguistic and technical concerns. Many firms suffer since the information provided is too complex for them to use in their decision making process. The information to be disseminated should be repackaged and then illustrated as diagrams, infographics, or motion pictures in order that a non-technical person could understand easily. To name a few, technical information on rules of origin (RoO), third-party re-invoicing, and back-to-back certification, should be on the list for such repackaging.

2.2. Consultation and Provision of Training Programs

In addition to the one-way dissemination, another approach to providing RTAs-related information is consultation and provision of training programs where firms are allowed to ask or discuss with the authorities on any unclear topics requiring clarification.

Through consultation, the advice could be either legally binding or not legally binding. On the one hand, firms in Thailand can write a formal request for official clarification on a specific RTA utilization related issue from the government authority in charge. Once confirmed, the firms could follow such legally binding clarification without concerns. On the other hand, firms may ask for quicker but not legally binding advice by consulting with experts assigned by the authorities. Most of such advice involves Thai and RTA-partners' tariffs and RoOs. As of January 2015, there are experts providing face-to-face consulting services at various locations, e.g., Thailand's One Stop Export Service center in Bangkok, DTN's AEC information centers in Bangkok, the Provincial Office of Commercial Affairs in other provinces, and DITP's AEC business support centers in Bangkok and other ASEAN member countries. Moreover, firms may contact the call centers serviced by the DFT, DTN, and the Customs Department.

Firms in Thailand have provided mixed responses to the consultation services provided by the Thai government. In spite of apparent convenience, some firms claim that these call centers and ad-hoc AEC consulting centers (especially in up-country) can only answer basic questions. While some firms benefit from formally written consultations, many small and medium enterprises (SMEs) do not have enough resources to handle such activities. It might be more useful if there is circulation of legally binding advice on interesting cases for the public.

Government agencies in Thailand also offer training courses on certain specific issues. To name a few, the DFT regularly offers courses for exporters on how to apply electronically for origin verification and certificates of origin (CoOs), while the Customs Department offers courses for importers on how to claim electronically for preferential tariff treatment. Recently, the DTN has developed e-learning courses to provide basic RTA related information. Many training courses are popular and gain attention from lots of firms, for example, the courses on how to apply for CoOs through the recently implemented digital signature system were organized 33 times in 2013 with 547 participating firms. Nonetheless, many firms demand for more problem centered training courses.

2.3. Monitoring of Preference Utilization and Awareness Raising Campaigns

There are not many countries in the world that have developed and maintained a database on preference utilization by both importers and exporters. But Thailand is one such nation. There are two authorities in charge of data collection; namely, the Customs Department that collects import data and the DFT handling data regarding exports. With the available data, the Thai government could calculate and monitor the use of preference utilization by both importers and exporters in Thailand. In addition, there are annual reports on preference utilization published by these two agencies.

The OIE is another government agency in Thailand that is actively in charge of monitoring preference utilization. In collaboration with the Thailand Development Research Institute, which is a well-known think tank, the OIE also calculates and publishes annual preference utilization rates for both exports and imports. They also conduct annual surveys to pinpoint why firms in Thailand do not make full use of preferences (see Figure 8).

Figure 8. Annual Monitoring of Preference Utilization by the Office of Industrial Economics

In addition to monitoring preference utilization, Thai government agencies have set up a number of awareness raising campaigns to promote greater use of preferences. They advertise the benefits about the use of preferences and encourage firms by publicizing the success stories of some selected firms that enjoy benefits from such preferences in various media. They organize public seminars across the country as well as offer in-house seminars at some firms' offices. It was reported by the DFT that in

2013 there was a total of 9,621 people attending 60 public seminars, which were either organized or co-organized by the DFT.

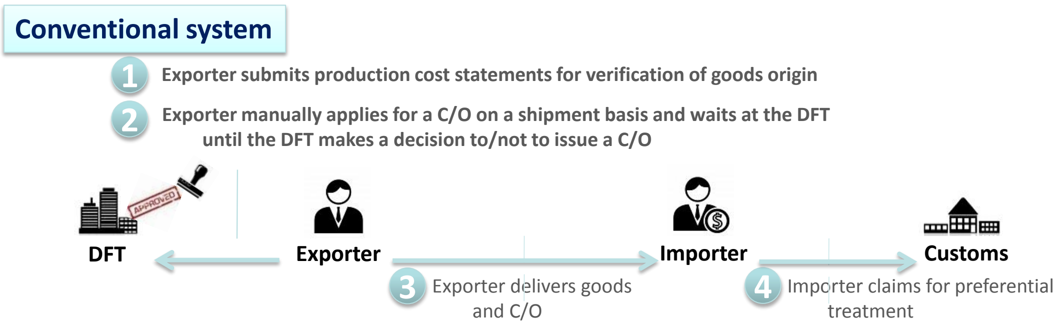
Recently, preference utilization in Thailand has been increasing, but there is still room for improvement. First, the awareness raising campaigns should be designed for and be targeted at SMEs, due to the fact that there has been limited outreach of information towards SMEs so far. Second, the Customs Department and the DFT should make a list of firms who fail to make full use of preferences and pass it on to the campaign organizers. By this means, the problems of target mismatch due to data confidentiality might be resolved. Last but not least, the DFT should set more ambitious targets for the annual preference utilization rate by exporters. According to its recent annual reports, the DFT's key performance indicators on the preference utilization rate are unambitiously low and have decreased steadily from 61 percent in 2011, to 60 percent in 2012, and 50 percent in 2013. Meanwhile, the Customs Department should express its sincerity in raising importers' awareness by including the annual preference utilization rate by importers as one of its key performance indicators. As an increase in tariff revenue is difficult to achieve in the current global trade regime, its relevance as a key performance indicator is downplayed. Instead, the Customs Department should aim for a higher preference utilization rate.

2.4. Facilitation of Preference Utilization

In Thailand, there are four initiatives to facilitate preference utilization; namely, the self-certification system for certified exporters, the digital signature system for issuing certificates of origin and training programs for the officers responsible for administering the issuance of certificates of origin, and the One Stop Export Service Center, and the advanced ruling system on preferential tariff treatment. While the first three are for exporters, the last is only for importers.

To make use of preferences under the conventional system, exporting firms must obtain CoOs and send them to their corresponding importers (see Figure 9). In the case of Thailand, the exporters must prove to the DFT that the goods comply with the RoO specified in the relevant agreement. This procedure is commonly known as the examination of origin. Then, if the goods are proven to qualify, the exporters may request a CoO from the DFT, which will be sent to the importer along with the other documents relating to the shipment. After receiving the CoO, the importer then submits the CoO to the Customs authority in their country in order to claim the preferential tariff treatment.

Figure 9: Conventional System of CoOs Issuance

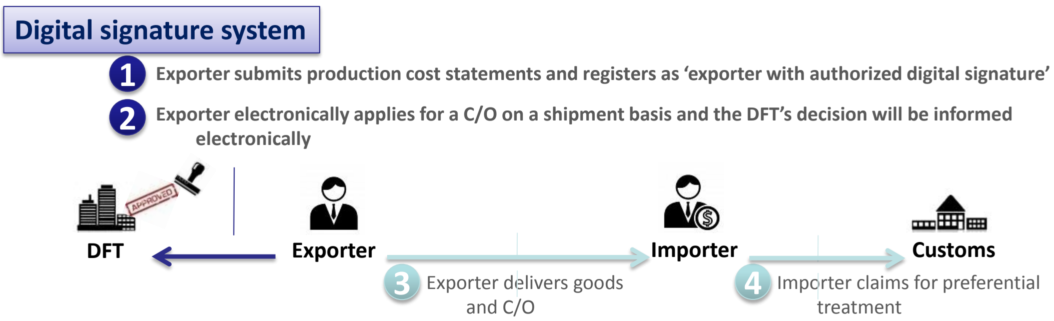


By the self-certification system, certified exporters are not required to apply for CoOs from the DFT. Instead, they can simply self-declare the country of origin for their goods 24/7 on the commercial invoice or, if the invoice is not available at the time of export, any other commercial document such as a billing statement, a delivery note or a packing list (see Figure 10). As a result, the system helps reduce the paperwork burden, logistic costs between firms and the DFT, and opportunity costs owing to any delay in CoO submission when claiming preferential tariff treatment in the importing country. Unfortunately, there are only three other partner countries that accept self-declared certificates by Thai exporters; namely, Brunei, Malaysia, and Singapore. Since its first implementation in November, 2011, there have been 97 certified exporters in Thailand, 20 of which actively utilize the self-certification system.

Figure 10: Facilitation of CoOs Issuance by Application of the Self-certification System

The implementation of the digital signature system is another initiative for facilitating CoO issuance. The system is simply a two-way electronic data interchange (EDI) system, in which exporting firms electronically submit their application forms along with other necessary documents and receive notification of the issuance results from the DFT (see Figure 11). Although the firms are still required to collect the CoOs directly at one of the DFT offices, the system is designed to help reduce variable waiting times. As of January 2015, exporters to Japan (under the Japan-Thailand Economic Partnership (JTEPA), or the ASEAN-Japan Comprehensive Economic Partnership (AJCEP)) and Australia (under the Thailand-Australia Free Trade Agreement (TAFTA), or ASEAN-Australia-New Zealand FTA) are entitled to use the digital signature system.

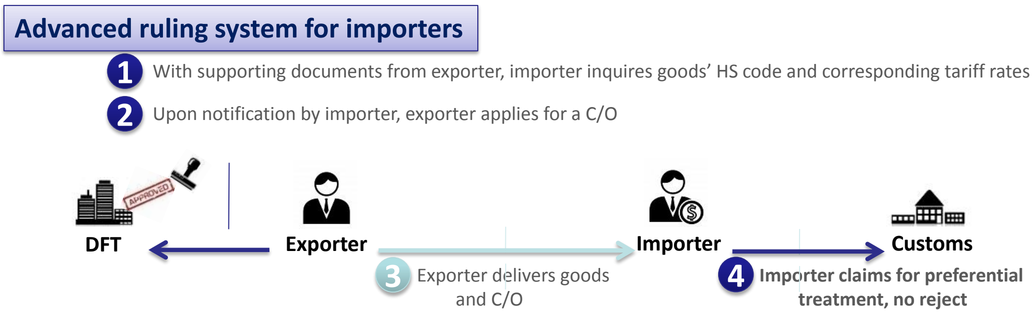
Figure 11: Facilitation of CoOs Issuance by Application of the Digital Signature System



The third initiative involves the provision of training programs for officers in charge of CoO issuance. A series of the Thailand Development Research Institute's studies indicate that firms in Thailand reported that there have been inconsistencies in judgments by the officers authorized to administer the issue of CoOs. To reduce such inconsistencies, the DFT has developed operating manuals and organized a series of training courses for its officers. According to its annual report, the DFT arranged three training courses in 2013 attended by 301 participants.

Last but not least, the Customs Department has implemented the advanced ruling system to facilitate the use of preferences by importers in Thailand (See Figure 12). The advanced ruling system allows importers to receive information on the tariff classification of imported goods and their eligibility for preferential tariff treatment before they lodge the import declaration. It is necessary that importers who seek such information make an advanced inquiry at least 30 days before the importation date. Once pre-approved, the firms do not have to worry since their claim for preferential tariff treatment will not be rejected. Unfortunately, there are no statistics of the usage of the advanced ruling system so far.

Figure 12: Facilitation of Preferential Tariff Treatment Procedure by Application of the Advanced Ruling System



2.5. Policy Coordination among Agencies

As aforementioned, there are five government agencies in Thailand actively engaged in the implementation of preference utilization related activities. These agencies have their own policies and thus undertake such preference utilization related activities to serve their own goals and objectives. In addition, they are from different ministries and there is a lack of policy coordination among them. As a result, policy packages in Thailand are sometimes not in harmony, cost-ineffective, and have less impact than anticipated. This calls for the need to collaboratively develop synergetic policy packages. In other words, effective policy packages should not be every man for himself.

Institutionally, there once was an RTA monitoring committee in Thailand with the responsibility not only to promote preference utilization but also to advise to the Cabinet on how to deal with conflicts among stakeholders during trade negotiations. But it has not existed since 2004. Nowadays there should be only one supreme policy unit that should take the lead in policy coordination related to preference utilization activities; namely, the ministerial meetings on international economic policy. But lately, its agenda has rarely focused on RTA utilization.

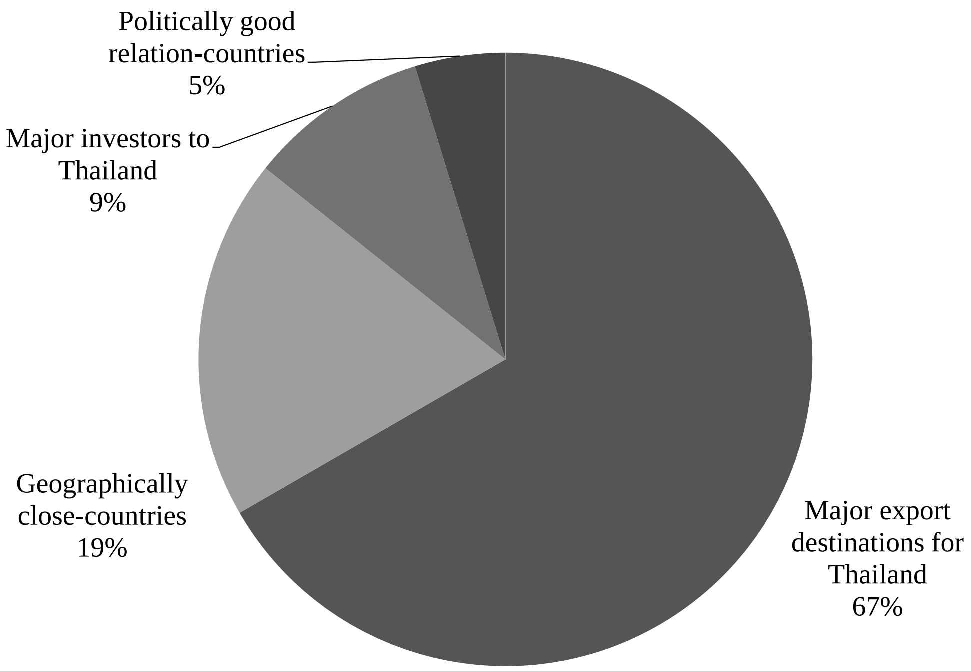
3. Government Strategy

This section investigates the government strategy for RTAs by means of the questionnaire survey. Specifically, we examined the selection of RTA partners, the liberalized products, the liberalization patterns, and the significant players in the decision.

3.1. Selection of RTA Partners

As mentioned in the introductory section, the existing studies have shown that not only economic elements but also political factors play significant roles in RTA formation. In this subsection, we examine what elements play the more significant roles in the choice of RTA partners in Thailand. The survey results are reported in Figure 13 and show that Thailand chooses its RTA partners with the first priority given to major export destinations for Thailand (67 percent of respondents). Thus, the main element in Thailand is an economic one, i.e., significance in terms of export destination. The geographical proximity, significance in terms of investment in Thailand, and the political relationship with Thailand also play some role in the selection of RTA partners. On the other hand, the significance in terms of import sources, religious commonality, and accession to markets in the partner's region are not relatively crucial elements.[2]

Figure 13: Preferences for RTA Partners



Source: Authors' survey

3.2. Selection of Excluded Products

This subsection investigates what elements play the more significant roles in the choice of products excluded from liberalization in Thailand. The previous studies found the significant role of MFN rates, international competitiveness, and so on. In this survey, we asked what kinds of sectors/products the officials think it easy to liberalize. The results are reported in Table 2.

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[2] The finding of no significant role of accession to markets in the partners' regions is somewhat surprising, giving the fact that the Thailand-Peru FTA was in place. This is perhaps because the respondents are restricted to only mid-level Commerce Ministry bureaucrats whose work is related to "ASEAN plus" RTAs, in which market access to the partner's region is not an important factor.

Table 2: Preferences on Liberalization

	Agriculture	Non-agriculture
Products with the lower MFN rates	57%	19%
Internationally competitive sectors	24%	10%
Minor sectors in terms of domestic production/employment	19%	71%

Source: Authors' survey.
Note: Non-agriculture sector also includes manufactured food products.

The table shows that it is relatively easy to liberalize agricultural products with low MFN rates and minor non-agricultural products (in terms of domestic production/employment). In other words, the exclusion list is likely to include agricultural products with higher MFN rates or non-agricultural products with large domestic production/employment. On the other hand, in the non-agricultural sector, products with small domestic production/employment are easy to liberalize. Compared with products with large domestic production/employment, even for those with low MFN rates, the lobbying power to resist trade liberalization can be much higher. It is also worth noting that international competitiveness is not shown to be a major factor in the selection of excluded products.

The difference in results between agricultural and non-agriculture sectors may reflect the difficulty of production factor mobility, which is in line with Maggi and Rodriguez-Clare (2007)'s findings. As pointed by Maggi and Rodriguez-Clare, trade liberalization is very limited in the agricultural sector, which intensively uses relatively immobile production factors such as land. Thus, agricultural products with high MFN rates are expected to be the most difficult to liberalize since their liberalization generates large losses for import competing products for which lobbies will resist trade liberalization. Although these elements are inter-related, the existing level of protection and existing magnitude of domestic production/employment play more significant roles in choosing sensitive products from the agricultural and non-agricultural sectors, respectively.

3.3. Selection of Liberalization Patterns

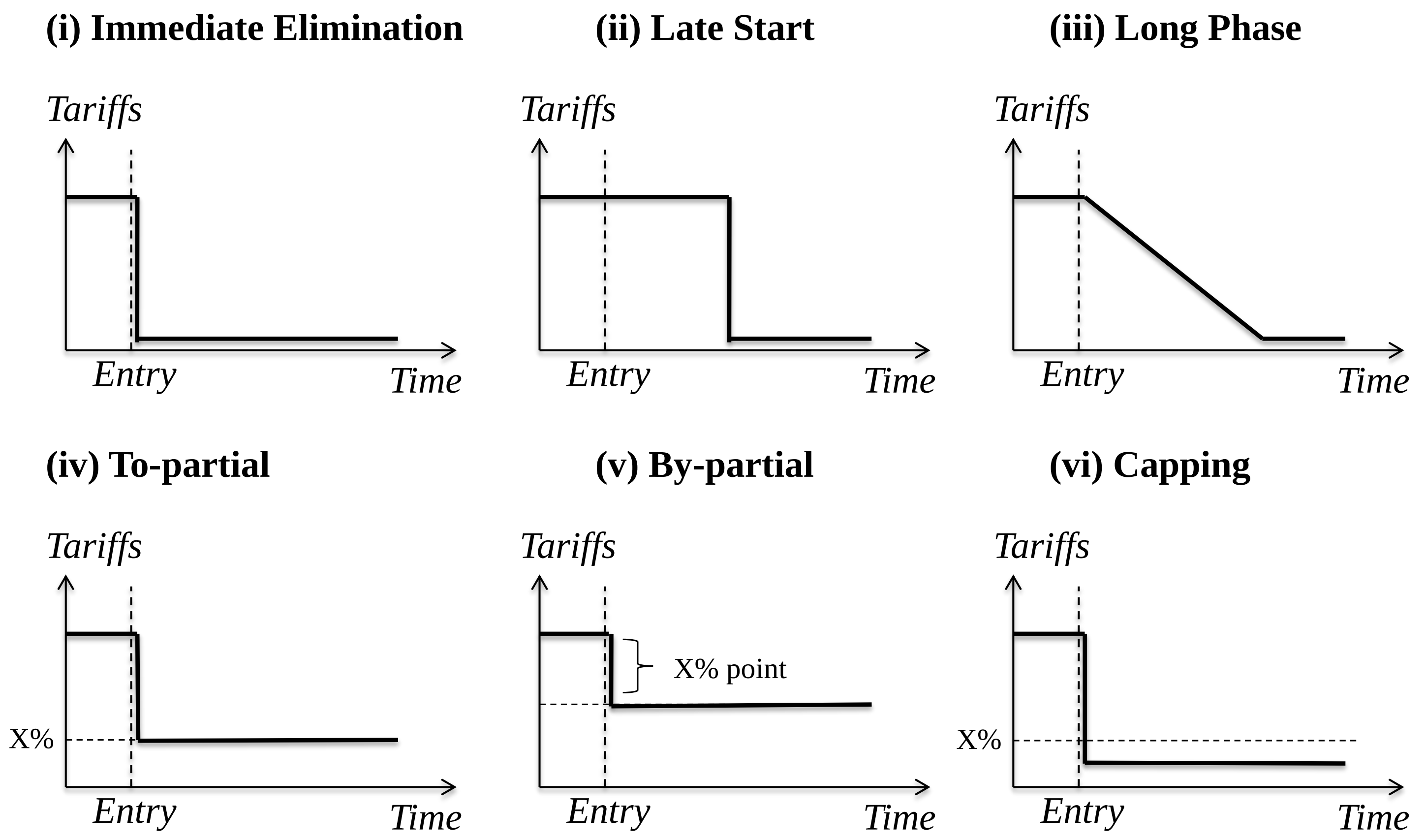
In this subsection, we examine the selection of liberalization patterns. There are several patterns of liberalization. Specifically, we classify these into six patterns, which are depicted in Figure 14. As mentioned in the introductory section, there are patterns of immediate tariff elimination (i) and long phase (ii). Also, as shown in (iii), the tariff reduction may start some years after its entry into force (late start). Next, there are three patterns for "partial tariff reduction", which refers if the final level of preferential rate is not zero but some positive level. While pattern (iv) shows the tariff reduction *to* X%, pattern (v) indicates the tariff reduction *by* X% point. These patterns are respectively called "to-partial" and "by-partial" tariff reductions. Pattern (vi) is called "capping" or "tariff ceiling" in the literature and refers to the commitment to reduce tariff rates to *not more than* X%.

The theoretical studies have clarified some significant elements in the selection of liberalization patterns.[3] For example, as mentioned in the introduction section, the extent of production factor movement plays a role in partial reduction. If some production factors cannot be forever moved to other industries, the owners of such factors will continue to give contributions to the government. Thus, some level of positive rates will be sustained due to such contributions.

In addition, the lobbying process plays an important role in this selection. It is usual that lobbying for selection of liberalization patterns occurs before the agreement is signed. This is known as "ex-ante lobbying". On the other hand, in some patterns, the agreement leaves some discretion in the government's choice and lobbying after the agreement is signed. This is known as "ex-post lobbying". Both ex-ante and ex-post lobbying can have a significant influence in the selection of liberalization patterns. For example, the crucial difference between capping and to-/by-partial is that ex-post lobbying is necessary in the case of capping in order to keep the higher preferential rates in the range of zero to the cap rates. Therefore, capping is more likely to be chosen if the government places much priority in contributions. Also, the long phase appears if we suppose that bargaining on tariffs and contributions between the lobby and government takes place every year. In this case, the preferential rates will gradually reduce due to the decrease of the possible amount of contributions over time.

[3] In particular, Maggi and Rodríguez-Clare (2007) is an important study in terms of comprehension.

Figure 14: Liberalization Patterns



Source: Authors' compilation

In reality, some of these patterns might be combined. For example, “late start” is likely to be combined with partial reduction. Nevertheless, these six patterns well describe the liberalization patterns in actual RTAs. As an example, Table 3 reports the distribution of each pattern in Thailand for AJCEP, by industry. The long phase patterns, particularly the four-year phase, have relatively high shares. Indeed, the pattern of long phase is adopted in most RTAs by Thailand. The pattern of late start appears particularly for base metal in AJCEP. To-partial is set for live animals and transport equipment in AJCEP. To-partial appears also in the ASEAN-Korea FTA (AKFTA), and ASEAN-India FTA (AIFTA). AJCEP does not include By-partial, but it is in the AIFTA. Also, capping appears in the AKFTA and ASEAN-China FTA (ACFTA) but not in AJCEP.

Against this backdrop, in order to first clarify the government officials’ preference for these liberalization patterns, we asked for the priority sequence. The results are reported in Table 4. When choosing liberalization patterns by the Thai side, the Thai policy-makers prefer the pattern of long phase to other types such as late start or partial reduction. From the partner’s side, on the other hand, Thai policy-makers prefer the partner country to select an early start tariff reduction. These kinds of preference are not different between agricultural goods and non-agricultural goods. In sum, Thai policy-makers avoid rapid change through liberalization in Thailand and prefer enjoying tariff advantages when exporting to the partner country immediately after an RTAs’ entry into force .This result may indicate that dynamic aspects play more significant roles in choosing liberalization patterns. Furthermore, our direct interviews with some officials discovered that there is no fixed format for RTA negotiation as it is done on a case-by-case basis based on the RTA partner’s competitive position and Thailand’s own liberalization readiness.

Table 3: Distribution of AJCEP Preferential Products in Thailand

	Free	Immediate	Late Start (years)				Long Phase (years)								To-Partial	Exclusion
			5	6	9	10	1	2	3	4	5	6	7	9		
Live animals	30	81					11	33	15	60	1	13	46	8	4	42
Vegetable products	7	130					12	16	1	56	3	7	97	18		44
Animal/vegetable fats and oils		68						2	5	3			54	7		11
Food products	2	51						4	5	62	16	17	126	59		44
Mineral products	69	96					5	2		21						4
Chemical products	504	274					25	91	1	171				30		2
Plastics and rubber	90	13					20	77		21				171		
Leather products	11	6						5		26		29	6			2
Wood products	2	27					15	20		26		17	29			
Paper products	84									140						
Textiles	5	907								14		1				1
Footwear	1	1					5	1		4		25	17	9		
Plastic or glass products	27	1					38	63		43		2	3			8
Precision metals	50	12					7	6								
Base Metal	216	48	3	16	320	27	13	15		155			10			3
Machinery	395	374				17	17	388		478			27			108
Transport equipment	34	64				1	1	26		14				37	80	170
Precision machinery	80							73		185		1				
Others	12	31					20	51		132		4				
Total	1,619	2,184	3	16	320	45	189	873	27	1,611	20	116	415	339	84	439
Share	20%	26%	0.0%	0.2%	4%	1%	2%	11%	0.3%	19%	0.2%	1%	5%	4%	1%	5%

Source: Authors’ calculation using the legal text of AJCEP.

Table 4: Preference for Liberalization Patterns

	Agriculture	Non-agriculture
Own Preference		
Late Start	19%	10%
Long Phase	52%	62%
To-Partial	5%	19%
By-Partial	10%	5%
Capping	14%	5%
Requests on Partners		
Early start of tariff reduction	71%	86%
Short phase	0%	0%
Greater tariff reduction	29%	14%

Note: Non-agriculture sector also includes manufactured food products.
Source: Authors' survey

Next, we asked about the preference for non-tariff measures (NTMs) because, instead of reducing tariff rates against RTA partners, government may have an incentive to set NTMs for them. For example, Limao and Tovar (2011) found that countries are likely to increase NTMs for products for which tariff rates are reduced in RTAs. We posted the question on preferences for NTMs, and the results are reported in Table 5. It shows that Thai policy-makers prefer the introduction of restrictive RoOs for non-agricultural products. We do not find a clear priority for agricultural products. On the other hand, in negotiation with the partners they prefer the elimination of SPS for agricultural products and setting less restrictive RoOs for non-agricultural products. In the latter case, they also prefer the introduction of technical barriers to trade.

Table 5: Preference for Non-tariff Measures

	Agriculture	Non-agriculture
Own Preference		
Set of import quota	29%	5%
Introduction of SPS	33%	0%
Introduction of TBT	19%	10%
Set of restrictive RoOs	19%	86%
Requests on Partners		
Elimination of import quota	29%	14%
Elimination of SPS	62%	5%
Elimination of TBT	0%	33%
Set of less restrictive RoOs	10%	48%

Note: Non-agriculture sector also includes manufactured food products.
Source: Authors' survey

3.4. Significant Players in Government Decisions

In the political economy model, government is assumed to maximize its utility function. It basically consists of consumer surplus, supplier surplus, and tariff revenues. Furthermore, since Grossman and Helpman (1994), the studies have included money contributions by special interest groups or lobbies. More recently, Gawande *et al.* (2006) and Antras and Miquel (2011) introduced not only domestic lobbying but also foreign lobbying. In this subsection, we examine what kinds of players influence the government's decisions regarding RTAs. As reported in Table 6, there are some differences by significant players across the sectors and between the Thai and partner country's side. However, in general, considerations are mostly given to consumers and related parties as well as Thai firms and related parties. In the case of requests by partners, consumers and their related parties are also shown as one of the significant players in the government's decisions. This is the case for consumer interest groups campaigning for liberalization of certain products to the policy makers. Also, inputs from foreign firms in Thailand are given some role as stakeholders from the policy makers' perspective.[4]

[4] The importance of each stakeholder may be different across the stages of RTA negotiation. For example, politicians may have a greater influence on the officials' decision at the stage of partner selection but may have less influence during the process of negotiation with a specific partner.

Table 6: Importance of the Stakeholders in Decisions

	Agriculture	Manufacturing	Services
Own Preference			
Politicians	12%	9%	8%
Consumers and their related parties	42%	48%	45%
Thai firms and their related parties	36%	34%	36%
Foreign-owned firms and their related parties	6%	7%	5%
Think tanks or Economists	4%	2%	6%
Total	100%	100%	100%
Requests on Partners			
Politicians	12%	8%	9%
Consumers and their related parties	19%	18%	12%
Thai firms and their related parties	55%	62%	67%
Foreign-owned firms and their related parties	6%	7%	4%
Think tanks or Economists	8%	5%	8%
Total	100%	100%	100%

Note: Non-agriculture sector also includes manufactured food products.

Source: Authors' survey

4. Concluding Remarks

This research aims to analyze the Thai government's strategy on RTA negotiations and examine this against previous theoretical studies on the government's decision making progress. The relevant Thai government officials were surveyed in order to clarify the strategy for trade liberalization and the influential factors on the officials' decision. Our key findings are as follows. First, Thailand chooses its RTA partners with the first priority given to major export destinations for Thailand, which is consistent with previous studies showing the likelihood of RTA formation is higher between two countries that originally have large trade values. Second, agricultural products with low MFN rates and minor non-agricultural products in terms of domestic production/employment are relatively easy to liberalize. In the case of agricultural products, this is consistent with previous findings that countries are more protective for products with higher MFN rates. Third, in choosing liberalization patterns, Thailand prefers "long phase" to other types, such as late start or partial reduction, while it prefers partner countries to choose early start of tariff reduction. Fourth, in the strategy on non-tariff measures, the Thai government clearly prefers the introduction of restrictive RoOs for the non-agriculture sector, while it requests partners for less restrictive RoOs and elimination of technical barriers to trade. For agriculture, the Thai government prefers the introduction of SPS and a set import quota, but requests partners for elimination of SPS and import quota. Fifth, in the decision on RTA policy, the government prioritizes the requests of consumers and their related parties as well as those of Thai firms and their related parties, rather than foreign-owned firms or economies. These findings give valuable insights into better understanding from the policy makers' perspective.

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Appendix. Questionnaires

General Information

Name:	
Position:	
Agency:	
Education: ☐ Bachelor's Degree ☐ Master's Degree ☐ Ph.D.	
Duration of Work:	Years
Duration of Work related to Free Trade Agreement:	Years
Please specify **ONE FTA** based on which you may answer the below questions.	

1. Perspectives of FTA Impacts

Q1.1.	Please choose the 3 most important benefits in which Thailand has gained from participating in FTAs. (No. 1 being the most important)	
	Easier to import intermediate goods/raw materials due to lower tariffs	
	Increased awareness in new market	
	New business opportunities and joint ventures	
	Increase in export sales due to widening market access	
	Upgrading of technology, business practices and productivity	
	Consolidation of supply relationships within value chain	
	Expansion of business activities from deregulation	
	Expansion of business activities from stricter protection of intellectual property rights (IPRs)	
	Reduction of costs due to simpler and smoother customs procedures and mutual recognition agreements (MRAs)	
	Others: (Please identify:)	
Q1.2.	Please choose the 3 most important obstacles that prevent Thailand from realizing the benefits of FTAs. (No. 1 being the most important)	
	Too many exemptions/exclusions from FTAs	
	Too slow tariff phase-out	
	Complex rules of origin	
	Too restrictive standards and SPS regulations in partner country	
	Disruptions of supply chain to achieve rules of origin requirement	
	Need to re-arrange production process to achieve rules of origin	
	Others: (Please identify:)	
Q1.3.	Please choose the 3 most important negative impacts that Thailand would be affected by FTAs. (No. 1 being the most important)	
	Increased competition from imported products	
	Increased competition from entry of foreign investors	
	Stricter environmental regulations	
	Stricter intellectual property rights	
	Others: (Please identify:)	

2. Preferences on Partners

Q2.1.	How do you choose FTA partners? Please prioritize these countries. (Please rank the 5 most important factors with No. 1 being the most important)	
	Major export destinations for Thailand	
	Major import countries from Thailand	
	Geographically close-countries	
	Major investors to Thailand	
	Politically good relation-countries	
	Common religion-countries	
	Access to other markets in the partners' region	
	Others: (Please identify:)	

3. Preferences on Liberalization in General

Q3.1.	In the FTA negotiation, what kinds of sectors/products do you think it easy to liberalize? Please prioritize these sectors/products. (Please rank these 3 sectors with No. 1 being the most important)	Agriculture	Non-agriculture
	Internationally competitive sectors		
	Products with the lower MFN rates		
	Minor sectors in terms of domestic production/employment		
	Others: (Please identify:)		

4. Preferences on Liberalize Patterns for Sensitive-list Products

Q4.1.	When partners request you to liberalize products in ***sensitive list***, what kinds of tariff measures do you prefer? Please prioritize these strategies. (Please rank 5 most important strategies with No. 1 being the most important)	Agriculture	Non-agriculture
	"Late Start" of tariff elimination (e.g., five years later or ten years later)		
	"Long Phase" of tariff reduction (e.g., ten years period or fifteen years period)		
	Immediate "To-Partial" tariff reduction (e.g., reduction to 10%)		
	Immediate "By-Partial" tariff reduction (e.g., reduction by 10%)		
	Immediate Capping (e.g., reduction to not more than 10%)		
	Others: (Please identify:)		
Q4.2.	Taking some tariff reduction in ***sensitive list*** as given, you may have incentive to set non-tariff measures instead. Then, what kinds of non-tariff measures do you prefer?Please prioritize these strategies. (Please rank 4 most important strategies with No. 1 being the most important)	Agriculture	Non-agriculture
	Set of import quota		
	Introduction of sanitary and phytosanitary (SPS) measures		
	Introduction of technical barriers to trade (TBT)		
	Set of restrictive rules of origin		
	Others: (Please identify:)		

Q4.3.	When you request partners to liberalize products in ***sensitive list***, what kinds of tariff measures do you request? Please prioritize these strategies. (Please rank 3 most important strategies with No.1 being the most important)	Agriculture	Non-agriculture
	Early start of tariff reduction (e.g., immediate start)		
	Short phase of tariff reduction (e.g., three years period or five years period)		
	Greater tariff reduction		
	Others: (Please identify:)		

Q4.4.	When you can request partners to reduce non-tariff measures, what kinds of non-tariff measures do you request? Please prioritize these strategies. (Please rank 4 most important strategies with No. 1 being the most important)	Agriculture	Non-agriculture
	Elimination of import quota		
	Elimination of sanitary and phytosanitary (SPS) measures		
	Elimination of technical barriers to trade (TBT)		
	Set of less restrictive rules of origin		
	Others: (Please identify:)		

Q4.5.	What determines the number and share of liberalization types in each FTA? For example, why does AJCEP not include "capping", or why does ACFTA not include "late start"? Also, why is the share of "long phase" higher than of "late start" in AJCEP?

Q4.6.	How different motivations do you have among "Late Start", "Long Phase", "To-partial Reduction", "By-partial Reduction", and "Capping"?

5. Importance of Stake-holders in Decision

Q5.1.	When you decide ***Thailand's*** preferential products in each sector, how much do you prioritize the request of each stake-holder in Thailand? Please put percentages for each stake-holder. The sum of percentages should be 100.			
		Agriculture	Manufacturing	Services
	Politicians	%	%	%
	Consumers and their related parties	%	%	%
	Thai firms and their related parties	%	%	%
	Foreign-owned firms in Thailand and their related parties	%	%	%
	Think tanks or Economists	%	%	%
	Others: (Please identify:)	%	%	%
	Total	**100%**	**100%**	**100%**

Q5.2.	When you decide your request on ***partners'*** preferential products in ***each*** sector, how much do you prioritize the request of each stake-holder in Thailand? Please put percentages for each stake-holder. The sum of percentages should be 100.			
		Agriculture	Manufacturing	Services
	Politicians	%	%	%
	Consumers and their related parties	%	%	%
	Thai firms and their related parties	%	%	%
	Foreign-owned firms in Thailand and their related parties	%	%	%
	Think tanks or Economists	%	%	%
	Others: (Please identify:)	%	%	%
	Total	**100%**	**100%**	**100%**

Q5.3.	If you take into consideration the request of foreign-owned firms in Thailand, why? How useful is it?

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