

# Country Report **15**

## Thailand Country Report

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# THAILAND

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East Asian integration is instrumental in enhancing the accession and realization of the benefits of globalization of Thailand. The proper role of the public sector in influencing East Asian economic integration is to reinforce the market mechanism and make correction for market failures, while at the same time being cautious of government failure.

Thailand's economic growth and development has been, to a large extent, attributable to Thailand's openness to foreign trade and investment. Thailand enjoyed great economic success during 1986-1996 through economic liberalization and restructuring but fell into an economic crisis in 1997 as Thailand's structural and institutional adjustment did not keep pace with globalization's dynamism. What was needed for Thailand to recover from the crisis was to liberalize trade and investment further to achieve more efficient resource allocation and utilization and hence improve Thailand's competitiveness in the global market as well as to seek better and broader market access.

As the Doha Round failed to move forward and as bilateral FTAs proliferated in the Asia-Pacific region as well as elsewhere, Thailand became pro-active in FTA participation so as to accelerate economic recovery from the crisis through export drive, to reduce the disadvantages of being discriminated by various FTAs, to increase competitive advantage through preferred market access, and to improve access to new and diversified markets.

Thailand has participated in many RTAs and bilateral FTAs with developing and developed countries in the East Asian region and outside the region. As a result, Thailand has multiple tariff structures; one tariff structure corresponds with each FTA that Thailand is involved. Each tariff structure tends to protect domestic producers from competitive FTA partners. Altogether, Thailand's RTAs and FTAs give confusing and distorting market signals to various industries, encourage trade diversion and obstruct regional and global integration process of Thailand. Moreover, multiple rules of origin corresponding with these FTAs and RTAs added more complications.

Since most of Thailand's FTA partners are in East Asian region, Thailand would benefit greatly if East Asian economic integration could be instrumental to harmonizing and unifying those multiple tariff structures, rules of origin and other relevant rules, regulations, commitments, and treatments under those FTAs.

Thailand has also been pro-active in narrowing the economic development gap in the region, Thailand contributed to the development of neighboring countries through trade openness and preferences, private direct investment, and official development assistance. Thailand has traded more intensively with CLMV than with other countries. Thailand's trade weighted average tariff on imports from LDCs are lower than most other countries'. Thailand also provided preference with 0 percent tariff rate to exports from CLMV under the AISP and "One Way Free Trade" with Cambodia, Laos and Myanmar with 0-5 percent tariff rate on a number of agricultural products as well as technical assistance to increase productivity.

Thailand played a prominent role in CLMV's capital formation. Thailand's FDI focus on comparative advantage sectors in CLMV not only contributing to improving capacity and competitiveness in CLMV but also to increasing trade between Thailand and CLMV.

Thailand also offered significant amount of ODA in support of human development and poverty reduction in developing countries in the region. Thailand's ODA to developing countries as percentage of GNI was higher than many developed countries' ODA.

Thailand could further contribute to narrowing the development gap in the region by broadening trade and investment liberalization and facilitation and enlarging ODA especially to social sector development and capacity building as well as more untying aid to CLMV.

During the course of development, Thailand has experienced widening income disparity, economic instability, environmental degradation and natural resource depletion. These problems were the fruits of negligence and poor economic management.

To alleviate these problems and meet the challenges of globalization, Thailand in cooperation with member countries in the East Asian region should made an effort:

- to regionalize the member countries' FTAs by extending the FTAs' preference on MFN basis to all member countries in the region;
- to harmonize the rules of origin under various FTAs with allowance for regional content accumulation,
- to harmonize investment regulations and incentives as well as to strengthen

competition policy and competition law enforcement;

- to harmonize logistics and transport rules and regulations;
- to develop institutional framework, mechanism and instruments for regional financial resource pooling and sharing for regional development and financial stability;
- to broaden GSP coverage for CLMV;
- to commit greater amount of development assistance for CLMV with an emphasis on human resource development and health;
- to promote FDI in CLMV;
- to provide easy-term trade finance for CLMV;
- to cooperate in energy and natural resource conservation;
- to cooperate in renewable energy resource development, utilization, and trade in the region;
- to harmonize environmental policy and laws; and
- to strengthen environmental law enforcement.