

The Benefits and Impact of Free Trade Agreement

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Will the economy be more productive ?

Rationale for Free Trade: Expected Benefits and Impact.

- Free trade would minimize cost of production and consequently also cost of consumption through:
 - More efficient sourcing of inputs and production processes and supply chains to satisfy the highest value of aggregate consumption demand, hence yielding maximum aggregate social welfare of each and all involving free trading countries.
 - Economy of scale in production due to possible greater volume of demand.
 - Consequently, greater efficiency in production as well as greater welfare for consumers through better resource allocation, economy of scale, and more varieties of products at lowest resource costs.
 - The greater differences in comparative advantages in production among member countries, the greater benefits from production efficiency would be realized by each and all member countries.
 - The greater differences in consumers' preferences among member countries, the greater aggregate consumer welfare would be realized.
 - Undoubtedly, both EU and Thailand would benefit from
 - Increasing efficiency in resource allocation in each and all member countries.
 - Increasing efficiency/productivity in goods and services.
 - Increasing consumer welfare (lower prices, better quality, more varieties of goods and services).

Potential risks:

Unequal bargaining powers (large vs small economies).

- Thailand is a very small economy relative to EU, hence, has relatively much weaker bargaining power in the negotiation. It's up to EU whether to negotiate in good faith to achieve ideal common and balance interest in trade liberalization, taken into account Thailand's level of socio-economic development and required resources and capacity for economic restructuring/reform to achieve the desirable goal of trade liberalization.

Misconception/bias perception in trade negotiation (export orientation vs trade liberalization).

- General public tend to have bias and wrong perception that export is good, but import is bad for the country/economy.
- The truth is both exports (gains in production efficiency and higher product value from exports) as well imports (gains better quality, more varieties, and lower real resource cost from imports) are good for each and all trading countries.

Misconception that reduction of trade barriers would benefit the counterpart country.

- The truth is while a big country may benefit from trade restrictions (suppressing the import prices), a small country will always lose from its own trade restrictions (the burden/costs of trade restrictions would be born by importers/consumers).

Lack of restructuring effort & support.

- The sunk costs are high and hence tend to obstruct/delay business/industrial restructuring.
- There have been inadequate policy measures, effective and efficient policy instruments as well as resources to facilitate/induce/support business/industrial restructuring to realize the benefits of the Agreement.
- There might exist the risk of commitment that would complicating the tariff structure even more (multiple tariff rates and structures and, hence, more complicated distortion of Thailand's comparative advantage.

III. How can Thailand ensure that the benefits are distributed fairly across different sectors of society ?

To harmonize all committed FTAs through unilateral trade liberalization to the broadest and deepest level across all already committed FTAs.

To encourage, promote and provide appropriate technical and financial assistance for business and industrial restructuring to realize the consistently integrated overall trade liberalization commitments.

To, further, unilaterally implement multilateral trade liberalization as well as appropriate technical and financial assistance for business and industrial restructuring.

IV. Objectively what will it mean in terms of Thailand 4.0 ?

Objectives of Thailand 4.0

Thailand 4.0 is the economic model for Thailand to achieve

- Economic Prosperity: value-based economy driven by innovation, technology and creativity to realize 15,000 USD national income per capita by 2032.
- Social Well-being: inclusive society, to reduce income disparity to 0.36 in 2032.
- High Human Value: top 50 HDI countries.
- Environmental Protection: low carbon society (at least 10 cities into the world most livable cities).

How to achieve Thailand 4.0

Transforming:

- Traditional farming toward Smart Farming.
- Traditional SMEs toward Start Ups.
- Traditional Services toward High Value Services.
- Unskilled Labors toward Knowledge workers/ High Skilled Labors
- Buy Technologies toward Make Technologies

Clusters for Innovation & Start Ups

- Food, Agriculture & Bio-Tech.
- Health, Wellness & Bio-med.
- Smart Devices, Robotics & Mechatronics.
- Digital, IoT & Embedded Technology.
- Creative, Culture & High Value Services.

Priorities for Innovation

- Smart City
- Low-carbon Society
- Medical Hub
- Food Innopolis
- Water Management & Technology

IV. Objectively what will it mean in terms of Thailand 4.0 ?

What to do and How?

1. Active Role of Private Sector
2. Demand-driven policy
3. Offer Tailored Support Fund
4. Build a Global, Regional and Nationwide R&D Networks
5. Strengthen Vocational Training & Education System
6. Develop Infrastructure
7. Introduce Capability-Based Investment Promotion Scheme
8. Performance Based Conditional Grants & Incentives

Agendas for Thailand 4.0

1. Prepare Thais 4.0 for Thailand becoming first world nation
2. Development of Technology Cluster and Future Industries
3. Incubate Entrepreneurs and Develop Networks of Innovation-Driven Enterprise
4. Strengthening the Internal Economy through the Mechanisms of 18 Provincial Clusters and 76 Provinces
5. Integrating with ASEAN and Connecting Thailand to the Global Community

Closer to vision, and if so how ?