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# **Thailand's International Trade Policies**

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# Thailand's International Trade Policies

The policy mechanism to promote trade between Thailand and neighbouring countries at different levels are formulated as follows:

## 1. Foreign and international economic policy statement of Thailand

With respect to macro foreign and international economic policies, the Royal Thai Government (2009) proactively reaffirms initiatives to advance cooperation and diplomatic ties with all countries particularly in political, security, economic, social and cultural relations. This will be carried out in order to optimally bring about benefits to the country and their citizen.

## 2. Thailand's existing policy mechanism and perspectives in promoting trade with neighbouring countries at different levels

Thailand placed significant priority on building strong relations and development partnership with neighbouring countries through key regional economic cooperation frameworks particularly Association of South East Asian Nations (ASEAN), Greater Mekong Subregion (GMS), Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS), Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Thailand also desired to exploit international economic relationships for enhancing national competitiveness. However, ASEAN and GMS are among primary main concern.

### 2.1 Association of South East Asian Nations (ASEAN) Level

ASEAN is an important economic bloc for Thailand. ASEAN composes of 3 key goals namely ASEAN Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community. Particularly for ASEAN Economic Community (AEC), it is planned to reach the goal by 2015. In terms of trade, Thailand places significant emphasis on upholding ASEAN Free Trade Area (AFTA). Therefore, Thailand has formulated their own "ASEAN Hub" policy under the theme "Sustaining trading and investment base of Thailand for moving toward the global markets" which consists of 5 strategies as follows:

- (1) **Opportunities Searching & Market Approach Strategy:** This is due to ASEAN is a central and competitive market and investment base for Thailand particularly in Cambodia-Lao-Myanmar and Vietnam (CLMV). Therefore, Thailand should maintain ASEAN as a strong investment platform in order to compete internationally.
- (2) **Relationship Enhancement Strategy:** This is an important component in facilitating trade at all levels: business to business, people to people, etc. CLMV are among the main targeted countries. As these countries share common border with Thailand, trade disputes can be usually occurred. But it should be managed in the extent that does not affect international trade and cross-border trade environment.

- (3) **Trade & Investment Promotion Strategy:** This is undertaken through marketing activities in order to promote better image of Thai products and services within ASEAN region.
- (4) **Trade & Investment Penetration Strategy:** This is carried out by means of establishment of Thailand's distribution centers and trading firms in ASEAN member countries.
- (5) **Global Reach & Outsourcing Strategy:** Some countries in ASEAN are suitable for Thailand to relocate particular productive industry as they are abundant of both cheap labor and raw materials. In addition, it is prospective to promote contract farming so that it can then be either processed in those ASEAN member countries or exported to Thailand for further processing.

As Thailand has taken the rotational term as Coordinating Country of ASEAN from 2009-2010, the Royal Thai Government hence plans to lead for building greater internal and external strength of ASEAN towards the goal of AEC in the year 2015. In addition, Thailand also promotes trade and investment toward East Asian and South Asian regions as well as actively engaging with other regions in the world. It is clearly observable that Thailand regards ASEAN as growing and high potential single market under AFTA. Due to geographical advantage, Thailand then wants to turn ASEAN, an emerging market, into trade and production platform which Thai products and services are quite well accepted among ASEAN consumers. CLMV are among competitive markets for Thailand to penetrate in. In fact, Thailand has been facing certain extent of trade discrimination (protectionism) from these neighbouring countries as they fear that Thai products will dominate their markets.

Consequently, it is essential for Thailand to also do "aid for trade" in order to build trust and confidence as well as promoting mutual or win-win benefits with less advanced CLMV in particular and other needed ASEAN member countries in general. ASEAN opens up opportunities for Thailand to gain wider access to sourcing of cheaper raw material as well as being attractive investment destinations for Thai investors which partly can be used as a means to bridge development disparities particularly with CLMV. ASEAN is becoming more institutionally formalized arrangement implemented through a range of sectoral and spatial integration programs and projects. This politically and economically stronger economic bloc attracts larger economies to be linked with e.g. China, Japan, Korea, European Union, Australia, New Zealand and being discussed is India.

As a result, ASEAN tends to have more negotiation power, greater market access as well as potential networking of regional production networks with partner countries. It is likely that ASEAN undertakings are on track though there is still long way to attain particularly for the AEC goal. Internally, larger and more advanced economies like Thailand together with Malaysia, Singapore, Indonesia, etc. should continue rendering some assistance in the form of intensifying trade privileges, market access and technical cooperation to less advanced countries in overcoming international development disparities so that shared growth and prosperity can be eventually realized. It is also necessary for ASEAN member countries to ensure that this regionalization will bring about equal or proportionate benefits to all peoples both in urban and rural areas with special attention to be paid to the poor, marginalized, farmers and the excluded groups.

## 2.2 Greater Mekong Sub-region (GMS) Level

The GMS was initiated in 1992 to foster regional economic cooperation and integration consisting of six countries namely Cambodia, Lao PDR, Myanmar, Yunnan and Guangxi Zhuang provinces of China, Thailand and Vietnam. GMS is very meaningful for Thailand. Trade and investment is an important sector out of 9 areas of cooperation. As a result, Thailand has directed the main policies to promote greater cross-border trade flows with GMS member countries as follows:

- Increase volume and values of cross-border trade and transit trade in order to continuously keep pace with the growth of GMS regional economy. This is fulfilled by actively promoting and facilitating intra-GMS and extra-GMS trade particularly on agricultural trade, investment and tourism through the implementation of Cross-Border Transport Agreement (CBTA) (with total 20 annexes) aiming to deal with speedy facilitation of customs and immigration procedures at the priority border-crossing points thus resulting in increase trade flow both intra-GMS and extra-GMS.
- *Establish border economic zones along GMS economic corridors by adopting co-production and cross-border supply chains schemes with city pairs as well as seriously taking cooperation on labor management with neighbouring countries into account. This will become new regional production networks in ASEAN, widen up market access to neighbouring countries as well as facilitating transit trade to large nearby markets in China, South East Asian, South Asian and East Asian regions, and global markets.*
- Undergo cross-border trade reform towards international standard system so that it can solve cross-border trade problems, improve faster customs procedures, as well as extending assistance to develop necessary infrastructure in linking with neighbouring countries. This will help facilitate trade, reduce production cost as well as boosting degree of national competitiveness.
- Explore new markets. And cross-border markets will not only be confined to border areas but will also be linked up with the rest of domestic markets of neighbouring countries as well as further transiting to the nearby large neighbouring countries markets. This will therefore open up new markets access for Thailand's and co-production products.
- Promote contract farming in neighbouring countries in order to increase supply of raw materials for industrial and energy sectors both along border areas and in respective interior regions of Thailand.
- Relocate some industrial, agricultural and services investments to neighbouring countries in order to help generate jobs, distribute income and narrow development gaps between Thailand and neighbouring countries in parallel with sharing of natural resources, labor, capital, technology and expertise. The targeted industries are agro-processing, wood industries, sugar industry, energy, construction, tourism, and hotel and services.

- Keenly negotiate transit trade regime with neighbouring countries e.g. Lao PDR, Myanmar and Vietnam to facilitate freer flow of goods to nearby neighbouring countries markets in South East Asian, South Asian, and East Asian regions.

Furthermore, Thailand has initiated and led the ACMECS in order to exploit economic complementarities between Thailand and CLMV especially through integrated cross-border development. This initiative is endeavored to help bridge development disparities in the GMS. There are 5 major sectors of cooperation namely trade facilitation, agriculture and industry, transport, tourism and health. Specifically for trade facilitation, Thailand will ease greater flows of goods, services and investments among member countries so as to stimulate significant employment generation. It is obvious that there is a synergy of Thailand's cross-border trade policies toward GMS and ACMECS.

It is also remarkable that Thailand's trade policies for the GMS is convergent with the advancement of physical infrastructure development particularly for the GMS Economic Corridors and Asian Highway routes connecting Thailand and neighbouring countries which can help match policy supports for expanding cross-border trade activities and actions for promoting speedy flows of goods, services and people. In addition, The GMS Economic Corridors reinforce the geopolitics of Thailand as intersection in linking with countries in Asian region notably East Asian: China, South Asian: India, Bangladesh, Nepal, Srilanka, and Bhutan, South East Asian: Vietnam, which will help to reduce land transport distance for Thai products to penetrate into these markets. In this regard, Thailand should grasp these advantages in building up closer economic and social ties with neighbouring countries due to it offers great opportunities to be exploited or cooperated. Border economic zones in conjunction with trade facilitation are perceived playing crucial role in materializing these benefits. Joint production along border areas between Thailand and neighbouring countries particularly Myanmar, Lao PDR and Cambodia could foster strong regional production networks as well as enhancing national and regional competitiveness to compete with flood of Chinese products into GMS markets.

## **2.2 Bilateral Level**

At bilateral level particularly with Myanmar, Lao PDR and Cambodia, the explicit policies center around development of regional transport (international highways, Mekong bridges and river piers) and logistics systems linking with these neighbouring countries especially along the North-South and East West Economic Corridors as well as improving facilities for cross-border trade at key border checkpoints. As the Royal Thai Government had sometimes changed, this consequently led to the absence of consistent cross-border trade policies. The explicit cross-border trade policies included specific improvement plans at selected border locations connecting with respective neighbouring countries. As cross-border trade patterns are varied from one country to another, thus there existed a number of measures to respond to cross-border trade problems with individual neighbouring country which can presumably be regarded as implicit bilateral cross-border trade policies. These measures have been formulated and implemented by Ministry of Commerce as follows:

### **1) Myanmar**

The specific measures to support cross-border trade between Thailand and Myanmar are as follows:

- Improve facilities and logistics system to facilitate cross-border trade in Maesod district, Tak province and Sinkhon checkpoint in Prachuab Kirikhan province.
- Promote closer trade relations between Thailand and Myanmar in the form of Joint Trade Commission and exchange of bilateral visit of Ministers of Commerce.
- Hold regular consultation for both public and private sectors in order to resolve problems and constraints on cross-border trade.
- Continually advance cross-border trade through salient policies and implementation including strengthening public-private partnership as well as designating local agencies to facilitate cross-border trade towards international standard.
- Closely coordinate with Myanmar for establishing border economic zones in order to boost the growth of cross-border trade.
- Thailand's agency for providing assistance to Thai businesses and investors in doing business in neighbouring countries similar to JETRO of Japan should be established.
- Organize Thai Trade Fair in Myanmar for publicizing the image of Thai products as well as inviting Myanmar businesses to participate in Trade Fair in Thailand e.g. Jewelry Fair which can aid Thailand to become a regional jewelry trading center.

There is still much task to do for promoting cross-border trade with Myanmar. This is caused by different stages of development. Political uncertainty in Myanmar might sometimes lead to one-sided closure of the border checkpoint. Institutional mechanisms to strengthen close coordination of agencies responsible for resolving problems of cross-border trade locally and nationally should be functional. Financial facilities e.g. currency exchange and banking services should be in place. Technical assistance from Thailand in relevant aspects of cross-border trade should be rendered to Myanmar so that simplification of procedures and payments up to international standard can be enhanced. Both countries may also explore how to bring down trade discrimination or non-tariff trade barriers particularly from Myanmar side. Joint border economic zone and cross-border investments linking Maesod district, Tak province with Myawaddy city, Myawaddy province of Myanmar should be materialized. Thailand should keep up conferring trade privileges and market access particularly on agricultural goods to Myanmar.

## **2) Lao PDR**

The specific measures to support cross-border trade between Thailand and Lao PDR are as follows:

- Improve facilities and logistics system to facilitate cross-border trade at Nongkhai checkpoint in Nongkhai province, Mukdaharn checkpoint in Mukdaharn province and Chokmek checkpoint in Ubolratchathani province.
- Hold regular discussion for both public and private sectors in order to resolve problems and constraint on cross-border trade.
- Government agencies should provide assistance and consultation to Thai private sectors so that it can minimize risk in doing business in Lao PDR.
- Thailand should pursue third country or international lending agencies for rendering infrastructure development in Lao PDR.
- Continually advance cross-border trade through salient policies and implementation including strengthening public-private partnership as well as reinforcing local agencies to facilitate cross-border trade towards international standard.

- Closely coordinate with Lao PDR for establishing border economic zones in order to boost the growth of cross-border trade.
- Thailand's agency for providing assistance to Thai businesses and investors in doing business in neighbouring countries similar to JETRO of Japan should be in place.

There is also still much task to do for promoting cross-border trade with Lao PDR. This is caused by different stages of development. Cross-border trade imbalances between Thailand and Lao PDR led to the setting up of complex trade regulations and procedures particularly on Lao side so as to probably protect their domestic market. Therefore, institutional mechanisms to strengthen close coordination of agencies responsible for resolving problems of cross-border trade locally and nationally should be functional. Financial facilities e.g. currency exchange and banking services should be in place.

Thailand should render technical assistance in relevant aspects of cross-border trade to Lao PDR so that simplification of procedures and payments up to international standard can be enhanced. Both countries may also explore how to bring down trade discrimination or non-tariff trade barriers particularly from Lao side. Mobilization of financial resources both from Thailand and prospective third party donors to help develop required infrastructure in Lao PDR should be continued. Joint border economic zones and cross-border investments linking Muang district, Nongkhai province connects with Vientiane, a capital city of Lao PDR and Muang district, Mukdaharn province links with Khanthabouly city, Savannakhet province of Lao PDR should be materialized. Thailand should additionally keep up granting trade privileges and market access particularly on agricultural goods to Lao PDR.

### **3) Cambodia**

The specific measures to support cross-border trade between Thailand and Cambodia are as follows:

- Improve facilities and logistics system to facilitate cross-border trade in Aranyaprathet district, Sakaeo province.
- Simplify procedures and regulations of exports in response to the current situation in order to facilitate and reduce cross-border trade transaction costs.
- Improve Value Added Tax refund system and import tax, etc.
- Conduct in-depth marketing research for Cambodian market so that Thai exporters can use as guidelines for exports.
- Reduce import tax on raw material and machinery as well as parts to be used for production for export in compliance with ASEAN Free Trade Area which will help increase competitiveness of Thai's products.
- Improve transport routes linking Thailand and Cambodia in order to facilitate transportation services as well as reducing logistics costs to Cambodia.
- Provide training on international trade and cross-border trade practices to traders of both countries.
- Closely cooperate between Royal Thai and Cambodian Governments in promoting good business ethics for both cross-border investors and traders.

Cambodia is under reconstruction process and importing a large amount of goods from Thailand. As a result, Cambodia has been facing deep cross-border trade deficit with Thailand. In addition, a conflict along Thai-Cambodian border over the co-management issues of the Prasat Praviharn partly affected cross-border trade and business environment.



It is for that reason necessary to restore strong interdependence, peace and political stability particularly along border areas of both countries. It is also essential to minimize cross-border trade imbalance particularly for Cambodia. This could be made possible through facilitation of cross-border trade, establishment of joint border economic zone and cross-border investments linking Aranyaprathet district, Sakaeo province with Poipet city, Banteay Meanchey province of Cambodia.

Institutional mechanisms to strengthen close coordination of agencies responsible for resolving problems of cross-border trade locally and nationally should be functional. Financial facilities e.g. currency exchange and banking services should be in place. Thailand should render technical assistance in relevant aspects of cross-border trade to Cambodia so that simplification of procedures and payments up to international standard can be enhanced. Both countries may also explore cooperation on suppression of illegal border trade. Thailand should maintain granting trade privileges and market access particularly on agricultural goods to Cambodia.

### **Conclusion**

To sum up, Thailand has actively participated in regional economic integration especially ASEAN and GMS. Coherent trade policies have therefore been formulated aiming to foster closer trade and investment relations within ASEAN and GMS member countries. However, Thailand is absent of explicit bilateral cross-border trade policies with Myanmar, Lao PDR and Cambodia due to frequent change of government administration. Greater advancement of physical connectivity and GMS economic corridors has since recent decade resulted in greater increase of cross-border trade both in terms of volume and value between Thailand and Myanmar, Lao PDR and Cambodia. Nevertheless, there is existent of rather similar bilateral cross-border trade problems. The cross-border trade growth is believed to substantially contribute to national development.

However, it is questionable how much the greater flows of cross-border trade contribute to local and regional development as border points normally act as both collection and distribution functions. Border economic zones could perhaps help spread out the growth of cross-border trade toward local and regional development in Thailand as well as possible sharing of benefits with counterpart border cities in Myanmar, Lao PDR and Cambodia. In addition, Thailand should provide various technical assistance and institutional capacity building programs relevant to cross-border trade (aid for trade) to these neighbouring countries in order to fairly help minimize trade gaps. And measures to lower non-tariff trade barriers imposed by these neighbouring countries on Thai products should be discussed and brought down.

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