

IDE APEC STUDY CENTER
Working Paper Series 00/01 – No. 3

**Thailand's Attitude toward Trade Liberalization:
In the Context of the ASEAN Free Trade Area (AFTA)**

Fumio Nagai

MARCH 2001

APEC STUDY CENTER
INSTITUTE OF DEVELOPING ECONOMIES

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I. INTRODUCTION

In this working paper, the author will review Thailand's engagement in trade liberalization, and especially her focus on a commitment to the ASEAN Free Trade Area (AFTA).

As is well known, the Thai government changed its industrial policy in the mid-1980s from import substitution industrialization to export-oriented industrialization. After the Plaza Accord in 1985, Japanese companies began massive direct investment in Thailand. From the late 1980s to the early 1990s, some people feared the emergence of economic protectionism in the world, such as the creation of the North American Free Trade Area (NAFTA) and the European Union (EU). GATT's Uruguay Round, which started in 1986, encountered deadlock in the negotiation process. The birth of the Asia-Pacific Economic Conference (APEC) in 1989 and the transformation of AFTA in November 1993 at Seattle should be understood as two of the measures breaking through the trade protectionism in each country and regional economic bloc.

The birth of AFTA in 1992 should also be analyzed in the above international context. Since then, however, the international politico-economic winds and waves have tossed about AFTA. The conclusion of GATT's Uruguay Round in 1994 and establishment of the World Trade Organization (WTO) were beyond the anticipation of many countries. Indonesian President Suharto's commitment to trade liberalization under APEC in 1994 also surprised many countries around the world, including the ASEAN countries. The transitional economies in East Europe and open market policies by two countries with great potential in Asia (China and India) have been threatening the shift of investment from Southeast Asia. The early voluntary sectoral liberalization (EVSL) under APEC from 1998 to 1999, which ranged from industrial goods, processed farm goods and non-processed farm goods to the service area, has prompted Thailand to coordinate internal interests and governmental policy on trade liberalization. In short, Thailand in the 1990s has faced a series of liberalization negotiations in a variety of schemes.

One of the significant findings in this author's research on Thailand's trade policy toward the APEC-EVSL process is that Thailand has put first priority on AFTA

among the various trade liberalization schemes in which she is involved.¹ Despite the Asian monetary crisis in 1997, which heavily impacted many countries in East Asia, the Thai government maintained its trade liberalization policy.²

Against this background, the author has become interested in the following two points. First, when did the Thai government place the greatest importance on AFTA, and why? Secondly, how will the Thai government react to the new era of bilateral 'Free Trade Area' (FTA)? Since the author is not an economist, this paper will not touch on the effectiveness of trade liberalization by AFTA. The primary concern lies in the trade liberalization policy of the Thai government.

This paper is composed as follows. In the second chapter, the background of economic cooperation under ASEAN will be described. ASEAN had been struggling to produce intra-economic cooperation since the mid-1970s, but in vein. It was in 1992 that ASEAN member states reached an agreement to establish the AFTA free trade area. The third chapter will review the rapid change in the international economic environment, along with the trade liberalization policy of the Thai government. In the fourth chapter, Thailand's basic stance on AFTA will be analyzed in relation to the APEC-EVSL process. And finally, the latest Thai government stance toward FTA will be introduced and the overall policy of the Thai government toward AFTA will be summarized.

II. Intra-ASEAN economic cooperation, preceding the creation of AFTA³

The idea to establish ASEAN economic cooperation can be traced back to the early 1970s, when the United Nations team submitted its report in 1973 [Yamakage

¹ Fumio Nagai, 'The APEC EVSL Initiative and the Policy Making Process in Thailand,' APEC Study Center, Institute of Developing Economies, 2000 [In English].

² Fumio Nagai, 'Thailand: The Passive Involvement as an ASEAN Nation', in Okamoto, Jiro (ed.), *Consensus That Wasn't Shared*, forthcoming.

³ There are many articles and books on the development of economic cooperation under ASEAN. In this chapter, the author owes a significant debt to the following books and articles; Susumu Yamakage, *ASEAN Power: Toward the Core of Asia-Pacific*, the University of Tokyo Press, 1997, especially Chapter 2. Kiyokatsu Nishiguchi, 'Regional Economic Cooperation of Southeast Asia: 30 years of ASEAN,' Kitahara et al., *Southeast Asian Economics*, Sekaishissha, 2000, pp. 59-89. [in Japanese]; Akio Yonekura, 'Trade in Southeast Asian Countries: Growth Engine and Foreign Dependence,' Kitahara et al., *Southeast Asian Economics*, Sekaishissha, 2000, pp. 130-63.[in Japanese].

1997: 59]. This report pointed out 3 measures to implement for ASEAN; preferential trade liberalization, industrial complement agreement, and package deal in the new industries.

A conflict promptly arose at that moment regarding economic cooperation among ASEAN member states, especially between Indonesia and Singapore. While Singapore was very positive towards the free trade area in ASEAN and industry complement plan in the field of petrochemicals, Indonesia was very indifferent to trade liberalization but was positive towards industrial development and increase in trade. Thailand and the Philippines were rather positive towards economic cooperation, but Malaysia's stance was rather close to that of Indonesia. [Yamakage 1997: 62]

It was not until the first ASEAN summit, held at Bali, Indonesia in February 1976 that ASEAN member states set about economic cooperation under ASEAN. ASEAN leaders signed the 'Declaration of ASEAN Concord,' which proclaimed ASEAN industrial plants, preferential trade arrangements, regular ministerial meetings on economic matters, establishment of an ASEAN secretariat, and so forth.⁴

Based on this 1st ASEAN summit leaders' declaration, the ASEAN Preferential Trading Arrangement (PTA) and ASEAN Industrial Projects (AIP) were concluded in February 1977 at the Special ASEAN Ministerial Meeting (AMM) and in June 1978 at the 6th AEM, respectively.⁵ Then, the ASEAN Industrial Complementation (AIC) and ASEAN Industrial Joint Venture (AIJV) were concluded in the early 1980s (in June 1981 at the 14th AMM and in October 1983 at the 15th AEM, respectively). Despite these agreements, intra-ASEAN economic cooperation showed very little progress in the area of trade and in industry. For example, under PTA, member states submitted a list of goods, most of which would not be affected by tariff reduction. AIP, in which ASEAN had put the greatest energy, experienced difficulty in allocating responsible industries for each member state in the manner of a package deal. Singapore was obliged to give up the idea of picking petrochemical plants, and therefore came to be responsible for diesel engines. But Indonesia maintained that Singapore should produce only large-scale diesel engines, reasoning that Indonesia would start production of

⁴ Since Indonesia stood strongly against the idea of trade liberalization and a free trade area, the 'Declaration of ASEAN Concord' did not mention a free trade area. [Yamakage 1997: 66]

⁵ Foreign Ministers finally signed AIP in March 1980.

small-scale diesel engines, which finally prompted Singapore at the 11th AMM (July 1978) to decide not to cooperate with AIP. AIC, initiated by the ASEAN Chamber of Commerce and Industry (ASEAN-CCI), targeted the production of automotives by complementing parts among ASEAN member states. But since each member state invited automotive companies from abroad by their own initiative and started production, AIC became ineffective. [Yoshino 2001: 198] AIJV, which was also initiated by ASEAN-CCI, softened the requirements for member states, such as, for instance, every kind of processing and manufacturing industry, and allowed the number of participating states to be reduced to two (regional net shareholding must exceed more than 51%). [Yamakage 1997: 77] But despite these improved arrangements, AIJV has borne no fruit. [Yoshino 2001: 199]

ASEAN regional economic cooperation saw the turning point in December 1987, when the 3rd ASEAN summit was held in Manila, the Philippines. At that time, AEM and economic committee members shared the feeling of responsibility to ASEAN. Member states were sensitive to the economic stagnation in the mid-1980s. They found that regional economic cooperation might be one useful measure for exiting the economic crisis. A joint press statement (the so-called 'Manila Statement') clearly delineated the change in intra-ASEAN economic cooperation. First, the Manila Statement no longer mentioned AIP and AIC, instead giving more emphasis to private initiatives such as PTA and AIJV. Secondly, the Manila Statement stipulated, for the first time, a medium-term objective with a clear deadline, such as deepening to 50% the margin of preference for items already included in the PTA within the following 5 years, liberalising the non-ASEAN AIJVs from 49% to 60% up to 31 December 1990, and so forth. [Yamakage 1997: 81] Special notice should be given to the fact that ASEAN allowed foreign capital to obtain greater majority of shareholding in intra-ASEAN economic cooperation. This was concurrent with the shift among ASEAN member states of their industrial development policies from import substitution industrialization to export-oriented industrialization. [Nishiguchi 2000: 63]

It is true that, after the 3rd ASEAN summit, an intra-ASEAN economic cooperation scheme had been initiated on the condition of cooperation with foreign capital, such as Brand-to-Brand Complementation (BBC) as a part of AIC (in 1988), ASEAN Free Trade Area (AFTA, in 1992), ASEAN Industrial Cooperation (AICO, in

1996), ASEAN Investment Area (AIA, in 1998), and so forth. BBC aimed to give privileges, such as preferential tariff rates and national recognition to the intra-ASEAN trade on specific automotive parts of specific automotive companies. It was expected to encourage automotive companies, operating or planning to operate in ASEAN member states, to construct division of labor in automotive production. AFTA initially in 1992 aimed to formulate a free trade area within the subsequent 15 years, by 2008. But from the late 1980s to the early 1990s, ASEAN member states saw significant change of international economic circumstances. On one hand, each member state enjoyed high economic growth due to direct foreign investment from Japan, South Korea, and Taiwan. This deepened the integration of ASEAN economies into the East Asian economy and enlarged intra-ASEAN trade. On the other hand, however, GATT's Uruguay round faced deadlock, meaning it could possibly be concluded unfavorably for the developing countries and staple producing countries. The rise of regionalism in Europe and North America were considered protectionist moves among ASEAN member states, which aimed to export industrial goods. The end of the Cold War resulted in a strong inflow of western capital into Soviet and Eastern Europe. [Yamakage 1997: 132]

III. Thailand's attitude toward AFTA

III-1. Singapore Summit in 1992

The year 1992 changed the shape of ASEAN in a significant way. [Yamakage 1997: 129] The 4th ASEAN summit at Singapore in January 1992 ratified the 'Singapore Summit Declaration of 1992,' 'Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA),' and the 'Framework Agreement on Enhancing ASEAN Economic Cooperation.' ASEAN leaders had reached an agreement to implement the AFTA scheme with the ultimate effective tariffs ranging from 0% to 5% from January 1, 1993.

It could be said that PTA had developed into CEPT, but there are distinct differences between PTA and CEPT. First of all, while PTA aimed to reduce tariffs on an individual basis item-by-item, CEPT aimed to reduce them collectively. Secondly, while PTA allowed the difference between preferential tariff rates, CEPT aims to apply a

common tariff. And thirdly, with regards to the principle of original production, CEPT reduced PTA's 50% to 40%.

The CEPT Agreement applied to all manufactured products, including capital goods, processed agricultural products, and those products falling outside the definition of agricultural products as set out in this Agreement. At this time, agricultural products were still excluded from the CEPT Scheme. The CEPT Scheme has adopted a two-track approach. Under the normal track, ASEAN member states agreed to reduce existing tariff rates that were higher than 20% to a maximum of 5% by the year 2008 and tariff rates from 20% or below by the year 2003. Fifteen identified groups of products were included in the CEPT Scheme for accelerated tariff reduction, which reduce existing tariff rates to a maximum of 5% by the year 2003.⁶ A General Exclusion List (GEL) and a Temporary Exclusion List (TEL) were approved and safeguard measures were also included in the CEPT agreement. [Nishiguchi 2000: 67-9]

Before the Singapore Summit, ASEAN had three proposals: 'AFTA' proposed by Thailand,⁷ 'CEPT' proposed by Indonesia, and 'East Asian Economic Group (EAEG)' proposed by Malaysia. The first two ideas were proposed to match the idea of EAEG. Indonesia was not eager to accept the idea of EAEG, and eventually it was agreed in the 23rd AEM (October 1991) to rename 'EAEG' as 'EAEC' (East Asian Economic Caucus), the importance of which was recognized in the Singapore Declaration. Formally, Indonesia was indifferent towards free trade area, but Indonesia's change of attitude made it possible to reach an agreement in AFTA-CETP in 1992.⁸ [Yamakage 1997: 142-3]

III-2. Acceleration of AFTA initiated by Thai government

Thailand's Prime Minister Anand initiated the creation of AFTA, but subsequent cabinets also supported AFTA. Among those who were enthusiastic toward AFTA was Deputy Prime Minister Supachai Panitchpakdi, under Chuan Leekpai's Administration

⁶ The 15 goods listed in the accelerated tariff reduction are as follows: vegetable oils, cement, chemicals, pharmaceuticals, fertilizer, plastics, rubber products, leather products, pulp, textiles, ceramic and glass products, gems and jewellery, copper cathodes, electronics, and wooden and rattan furniture.

⁷ Prime Minister Anand initiated AFTA in June 1991, when Singaporean Prime Minister Goh visited Thailand. At that time, the idea of CEPT had already been publicly acknowledged. [Yamakage 1997: 195]

⁸ Nonetheless, Indonesia had opposed the idea of reducing the process of trade liberalization from 15 years to 10 years, as proposed by Thailand's Prime Minister, Anand Panyalachun. [Yamakage 1997: 144]

(from September 1992 to July 1995). For example, Supachai proposed the linkage between AFTA and Closer Economic Relations (CER) in November 1993, when he visited Australia, which surprised the related persons. [Bangkok Post April 8, 1994]

Furthermore, Supachai stated his clear viewpoint towards AFTA at the Pacific Economic Cooperation Conference (PECC) held in Kuala Lumpur in March 1994. Among his detailed statements were such claims as the completion of the AFTA program within 10 years instead of 15, the final tariff rate of 0% instead of the maximum 5% or below, inclusion of the coverage of petrochemicals and non-process agriculture, and the reduction of temporarily excluded goods from 8 years to 5 years. [Bangkok Post March 25, 1994]

Supachai's idea seemed to reflect the trade policy of the Chuan Administration. For example, Chuan agreed to the idea of AFTA-CER linkage in early April, when he held a summit meeting with Australian Prime Minister Paul Keating. Chuan promised Keating that he would propose to other ASEAN member states the possibility of AFTA-CER linkage. [The Nation April 8, 1994] The Thai government also proposed that the tariff reduction schedule under AFTA be reduced from 15 years to 10 years at the senior officials meeting in late April. [The Nation April 22, 1994] Thailand's proposal to shorten the time frame was rejected by Indonesian counterparts, but the unofficial ASEAN Economic Ministers Meeting had agreed in principle to review the AFTA time frame. [The Nation April 24, 1994]. These moves should be understood as a prompt reaction to the recent conclusion of Uruguay Round of multilateral trade talks.

Thailand's initiative to strengthen intra-ASEAN economic cooperation did not mean that she had been totally free from pressures from domestic interest groups who opposed the shortening of the AFTA time frame. In fact, the Thai Garment Manufacturers Association feared the competitive disadvantage of Thai textiles and garments. [Bangkok Post August 2, 1994] Palm oils and petrochemicals were also sensitive goods, so political pressures were applied continuously to exclude them from normal and accelerated tracks, respectively, on the grounds that both were less competitive with the counterpart goods from Malaysia and Singapore.⁹ In particular, with regards to chemicals, which were included in the 15 fast track goods, even some

⁹ For example, please refer to the articles in Bangkok Post on August 22, 1994, September 3, 1994.

government bureaucrats admitted there was critical feedback from the private sector, claiming there was not enough consultation process between Thai government and chemical sector, when the Anand administration agreed to AFTA.

Actually, the Chuan administration had first decided to exclude petrochemicals from the fast track goods. [Bangkok Post March 25, 1994] Even the Ministry of Finance, in the initial stage, had been hesitant about the AFTA speed-up proposal, arguing that acceleration of the AFTA program should be applied selectively only to industries that were 'ready'. [Bangkok Post May 2, 1994]

Despite these pressures, the Chuan administration had been positive towards the strengthening of AFTA. In the Council of Economic Ministers, Supachai was outspokenly supporting the active implementation of AFTA and greater cooperation among ASEAN member states, even by enlarging liberalization to service and non-processed agriculture. [Bangkok Post August 29, 1994] In addition to Supachai, Finance Minister Tarrin Nimanhaeminda, who chaired AFTA Council, finally came to be very positive towards AFTA, too. Tarrin once proposed setting up an AFTA Secretariat, in addition to the ASEAN Secretariat, then toned down his comments, calling merely to establish an AFTA Unit in the ASEAN Secretariat, which was later approved by ASEAN member states. [Bangkok Post September 15 and 21, 1994; The Nation September 19, 1994]

The 26th AEM at Chiang Mai (22 and 23 September 1994) endorsed the Fifth AFTA Council decision of September 21 to accelerate the realization of AFTA from 15 to 10 years by 1 January 2003 instead of 2008, as follows;

(1) Normal Track

- To reduce tariff rates above 20% to 20% by 1 January 1998 and subsequently from 20% to 0-5% by 1 January 2003
- To reduce tariff rates at or below 20% to 0-5% by 1 January 2000

(2) Fast Track

- To reduce tariff rates above 20% to 0-5% by 1 January 2000
- To reduce tariff rates at or below 20% to 0-5% by 1 January 1998

Moreover, AEM had endorsed the proposal that products in the TEL would be transferred to the Inclusion List (IL) in five equal annual installments of 20% from the

year 1995 and that all agricultural products would be eventually included in the CEPT Scheme. Thailand played a significant role in including the agriculture sector in the AFTA scheme for the first time. The Thai government also proposed having the AFTA Unit within the ASEAN Secretariat for the purpose of supervising and monitoring the implementation of AFTA. Finance Minister Tarrin even proposed to his ASEAN counterparts to hold AFTA Councils twice annually, so that it could monitor the implementation of AFTA. [The Nation September 23, 1994] Prime Minister Chuan Leekpai expressed the Thai government's clear message of commitment to and reaffirmation of AFTA's significance in his opening speech delivered at AEM on September 22, 1994, saying as follows;

...We must deepen and widen cooperation in a mutually beneficial way, and reduce our dependence on traditional export markets. To facilitate trade expansion, we must seek to eliminate tariff and non-tariff barriers. Through our mutual efforts, AFTA will have an important impact on increased intra-ASEAN trade....

...Through its implementation process, AFTA will affect industries in each country in a different manner. If we look at AFTA from a short-term point of view, of from a specific industrial interest, it is rather natural that some will benefit from trade liberalization while others may feel the pains of adjustment. But AFTA should be viewed from a longer and broader perspective. We must not let the short-term negative effects faced by certain industry override the longer-term mutual gains that we would derive from close collaboration. This is actually the commitment we reached at the Fourth ASEAN Summit. Now is the time to make another decision to speed up its implementation....[The Nation September 23, 1994]

As Chuan's speech shows, AFTA had reached the implementation stage. In the next chapter, we shall see how Thailand gave importance to AFTA, in particular in the relationship with APEC

IV. Trade liberalization under APEC and AFTA

The Thai government seems to have maintained a careful stance on the liberalization process under the APEC scheme, before the Early Voluntary Sectoral Liberalization (EVSL) started since 1998. For instance, Deputy Prime Minister

Supachai at the informal AEM at Phuket said that cooperation within ASEAN was essential and should be deeper than the level set by the Asia-Pacific Economic Cooperation (APEC) forum, which includes ASEAN countries in its membership. [The Nation April 28, 1994] When Naronchai Akrasanee,¹⁰ Supachai, Karun Kittisataporn¹¹ and Wisarn Pupphavesa¹² participated in the forum held at Thammasat University on August 1995, they generally agreed that it would not be in Thailand's interest for APEC, whose membership spans the Pacific, to accept the US line on trade liberalization. Supachai, then resigned as Deputy Prime Minister, maintaining that APEC should not become a negotiating forum. [Bangkok Post August 9, 1995] The Banharn Administration's Deputy Prime Minister and Foreign Minister, Amnuay Virawan, also said that Thailand's liberalization offer to APEC would go beyond its commitment to the WTO, but he noted that Thailand still considers the ASEAN Free Trade liberalization agreement as its priority. He said that Thailand wanted to create an AFTA agreement with the highest degree of liberalization cooperation. [The Nation November 5, 1996]

Thailand's determination to implement and accelerate the AFTA agreement could be seen in her effort to include agricultural products. As we have seen already, one of the major issues on the 26th AEM at Chiang Mai was to decide whether AFTA should cover the agricultural sector or not. Malaysia, Indonesia and the Philippines had been opposed to this proposal, which was mainly supported by Thailand. But finally, the Thai government was successful in persuading its fellow ASEAN states to comply with Thailand's opinion, through persistent persuasion at AEMs and Senior Economic Officials Meeting (SEOM). At the 6th AFTA Council, held in Phuket on April 27, 1995, Finance Minister Tarrin tried to include more agricultural products in the CEPT scheme. With regards to the definition for the non-processed goods on the sensitive list, he said, "there should not be a permanent sensitive list." [The Nation April 28, 1995] The 7th AFTA Council, held in Brunei on September 6, 1995, endorsed the inclusion of unprocessed agricultural products into the CEPT Scheme. Sixty-eight percent of all

¹⁰ Chief executive of General Finance & Securities Plc. Narongchai held the position of Commerce Minister under the Chavalit Administration from late 1996 to late 1997. He is called the founding father of AFTA.

¹¹ Deputy Permanent Secretary for Commerce

¹² Professor of the National Institute of Development Administration

unprocessed agricultural items were to be included into the CEPT Scheme by 1 January 1996. Another 20% of unprocessed agricultural products would be included within the next seven years. The 5th ASEAN Summit endorsed the acceleration of AFTA from 15 years to 10 years and the inclusion of non-processed agriculture into the CEPT scheme by the year 2010. [Nishiguchi 2000: 70]

During the negotiations on non-processed agriculture, strong disagreements had occurred between Thailand and Indonesia. For instance, at the SEOM, on April 23, Indonesia suggested a 10-year delay in the liberalization of unprocessed agricultural products under ASEAN, which upset the Thai delegates. [The Nations April 24, 1996] Indonesia also transferred rice and sugar from the original sensitive list to its “highly sensitive products” list, for which the new deadline for tariff cut is 2020. [Bangkok Post April 24, 1996] The Indonesian proposal to complete liberalization in 2020 meant liberalization under AFTA and APEC should be finalized in the same year. Furthermore, Indonesia upset the Thai delegates at SEOM, on September 10, 1996, prior to the 28th AEM. It is reported that Indonesia maintained at the start of SEOM that a time frame had never actually been agreed upon. [The Nation September 11, 1996] Krikk-krai Jirapaet¹³ said, “if you say you’ll go for free trade in 100 years, it doesn’t make sense. And if you say you’ll go for free trade in 20 years, it still doesn’t make sense because most of the free trade elements will mature in 10 or 15 years at the most.” At the 10th AFTA Council, on September 11, Indonesian Minister of Trade and Industry Tunky Ariwibowo softened his stance on trade liberalization, saying that he could confirm whether Indonesia would also agree to the 2010 deadline for such controversial items as rice and sugar. [Bangkok Post September 12, 1996] Finally, Indonesian President Suharto agreed to soften his stance on the timetable for phasing rice and sugar into the AFTA reduction program. [The Nation September 13, 1996].

Meanwhile, Thai delegates feared that extension of the AFTA program would loosens ASEAN cooperation. They claimed that if ASEAN members agreed to extend the completion of AFTA in 2020, how different would AFTA be from APEC? Indeed, it was Indonesian President Suharto himself who had initiated trade liberalization under the APEC framework in 1994. Suharto’s initiative raised suspicion among ASEAN

¹³ Director General, Department of Business Economics, the Ministry of Commerce

member states with respect to how he viewed the AFTA program. They were afraid that, if AFTA had a similar time schedule for liberalization as APEC, then APEC might replace AFTA. [The Nation September 13]

APEC-EVSL also might potentially have nullified AFTA's attractiveness. When the Thai government coordinated domestic interests in 1997 through 1998, the principle was to give priority to AFTA, than to APEC.¹⁴ Dr. Charnchai Musignisarkorn instructed his officials in charge of tariff reduction that trade liberalization should not exceed AFTA.¹⁵

At the 6th ASEAN Summit, held on December 1998, just after the APEC Kuala Lumpur meeting, Finance Minister Tarrin wanted Thailand to take a leading position in championing complete free trade within AFTA to help attract more foreign investment to the ASEAN countries. [Bangkok Post December 5, 1998] By the initiative from the Thai government, ASEAN member states reached an agreement to further accelerate AFTA by 2002, instead of 2003.

V. Conclusion

From the above review of Thailand's engagement in trade liberalization, it can be understood that Thailand's commitment towards AFTA has been the first priority in her trade liberalization. Despite changes in the international political and economic environment, or rather because of that, AFTA has struggled to survive to claim its identity and significance in the world.¹⁶

AFTA itself aims to bring prosperity to intra-ASEAN trade. However, as many people have pointed out already, the effectiveness of AFTA has been and will be quite limited, since member states in ASEAN share a similar economic structure and level of development, excluding Singapore and Brunei. It is possible to say that AFTA has served as an announcement to the world, and that it has at least attracted foreign

¹⁴ For details, please refer to Nagai (forthcoming).

¹⁵ Dr. Charnchai was deputy Director General, Fiscal Policy Office, the Ministry of Finance. Interview with an APEC related official, the Ministry of Finance of Royal Thai Government (MOF), 4 April 2000.

¹⁶ Please refer also to the following article: Mutoh, Akihiro, 'The Impact of AFTA on ASEAN Economic Co-operation,' *International Relations* Vol. 116, 1997, pp. 32-45.

investors to Southeast Asia. [Yoshino 2001: 201]

If our observation is the case, how will the Thai government adjust to the era of bilateral FTA (BFTA)? FTA is growing more popular after the APEC-EVSL in Kuala Lumpur failed in 1998 and the WTO new Round in Seattle failed in 1999. Currently, the Thai government is considering the BFTA with South Korea, Croatia, and Czech Republic.¹⁷ The final judgment must wait until August 2000. According to the internal documents, submitted to the International Economic Policy Committee on November 2, 2000, one of the principles in pursuing the BFTA agreement is clearly stated that the tariff reduction under BFTA must not exceed other binding agreements under AFTA. This fact demonstrates that the Thai government still considers AFTA to be the most important economic cooperation framework.

¹⁷ Interviewed with officials in charge of regional economic cooperation, Department of Business Economics, the Ministry of Commerce, February 15, 2001.

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