

Case Analysis II

Thailand-Australia Free Trade Agreement

(Presentation on Oct 17th and Oct 19th 2012)

EE459

Semester 1/2012

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Background Information

- In July 2001, the Australian and Thai Governments agreed to undertake a joint scoping study for an Australia-Thailand free trade agreement (FTA).
- Relations between Australia and Thailand are already close. Bilateral merchandise trade between the two economies was valued at around A\$5 billion (US\$2.6 billion) in 2000 and has been expanding rapidly. Australia and Thailand cooperate closely on trade issues, including through membership of the World Trade Organization (WTO), Asia Pacific Economic Cooperation (APEC) and the Cairns Group. Both are working towards the AFTA-CER Closer Economic Partnership between ASEAN economies, Australian and New Zealand, which was agreed in October 2000. Ministerial and official visits between the two economies are frequent. Australia and Thailand also have a long tradition of development cooperation.
- There is scope to strengthen the bilateral trade relationship, however. Although bilateral trade is substantial, it is below the levels achieved with some comparable East Asian economies. Investment links between the two economies are quite limited.

Background Information

- Although many areas of trade have been affected by the global downturn during 2000-2001, developments of trade liberalization still have the importance of further efforts at a number of levels to ensure both short-term recovery and sustainable long-term economic growth in both the Australian and Thai economies. A strengthening of economic relationship can contribute to these shared goals.
- The launch of a new round of multilateral trade negotiations at the Fourth Ministerial Conference of the World Trade Organization in Doha has been one crucial step. These negotiations have the potential to deliver a major impetus to global economic growth.

Background Information

- Australia and Thailand are committed to them as the highest priority of their trade policy. At the regional level, the movement towards further liberalization and reform has also been confirmed, most recently by APEC Leaders meeting in Shanghai in October 2001. Both Australia and Thailand are also developing or exploring other regional and bilateral approaches to expanding trade and investment.
- Although both countries have undergone trade liberalisation over the past decade, there are still important impediments to trade and investment. Tariff barriers are significant in some sectors for both Australia (for passenger motor vehicles, textiles, clothing and footwear) and Thailand (e.g. motor vehicles and a range of agricultural and manufactured products).

Proposed Reduced Import Tariffs : Thailand

Effective Year	% of Total Imports from Australia (as of 2000)	Product Categories	New Tariffs Rate
2005	93.5%	Grain, Food, Processed Agri Products, Mineral, Energy Commodities, Chemical, Rubber, Plastics, Motor vehicles, Electronics, Machinery	0%
2010	6.5%	Textile, Wood, Paper, Metal	0%

Proposed Reduced Import Tariffs :Australia

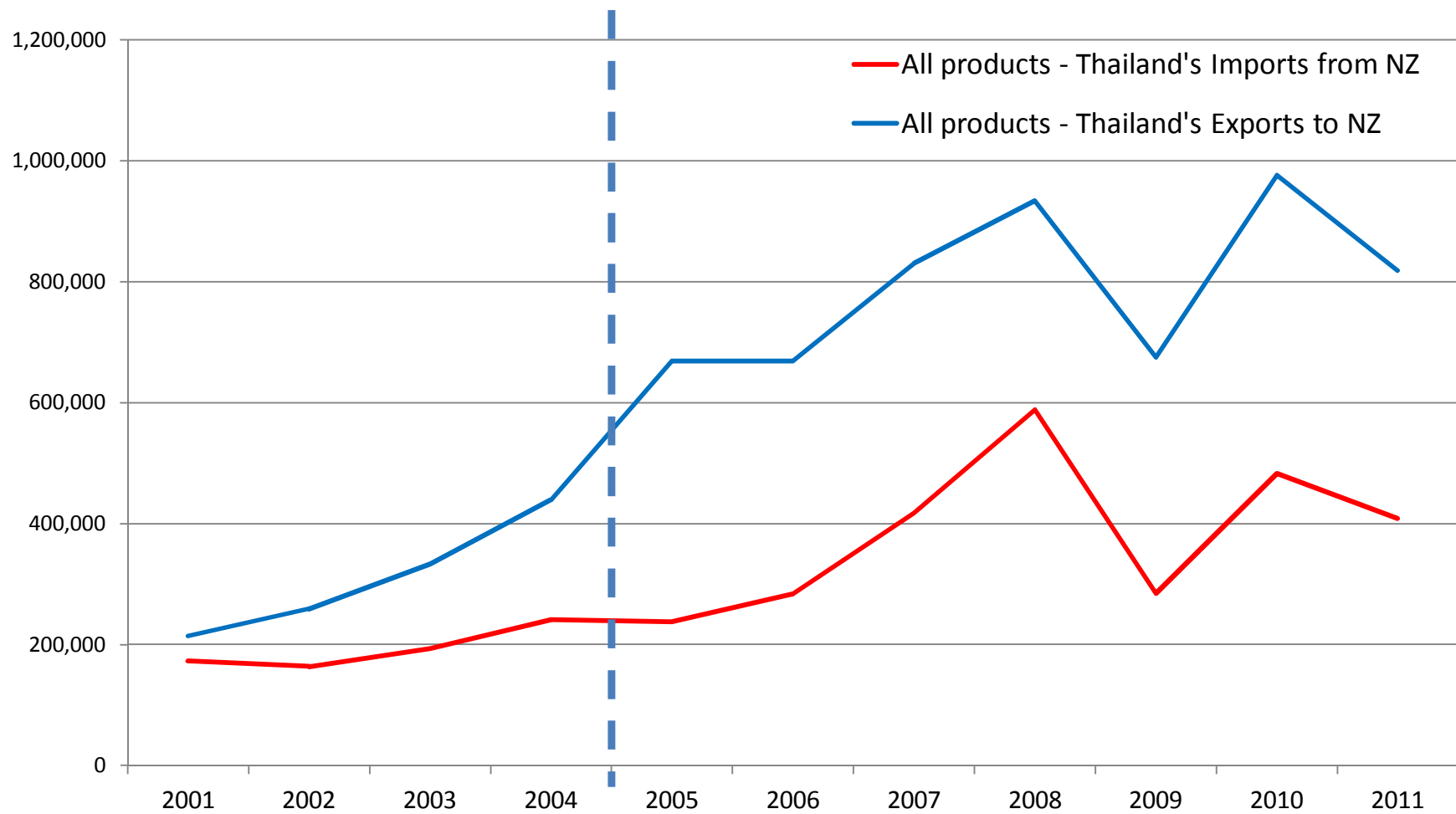
Effective Year	% of Total Imports from Australia (as of 2000)	Product Categories	New Tariffs Rate
2005	83%	All products except textile, wood, paper	0%
2010	17%	All products	0%

Research Tasks

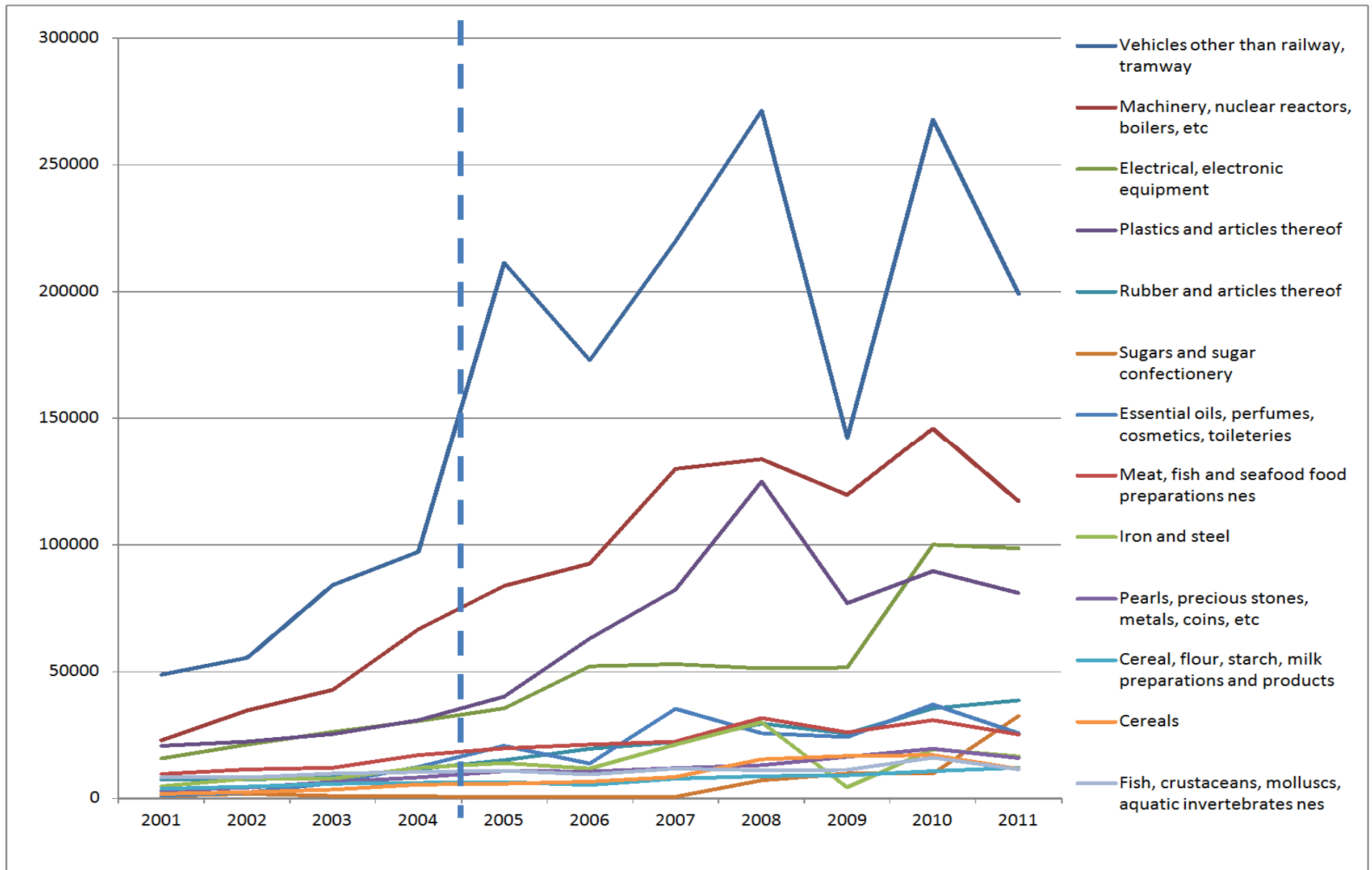
- (1) Apply GTAP to estimate the impact of these policies on the following variables :
 - GDP (qgdp) of both countries
 - Inflation (pgdp) of both countries
 - Imports of Australia from Thailand ($qxs[i, \text{Thailand}, \text{Australia}]$)
 - Imports of Thailand from Australia ($qxs[i, \text{Australia}, \text{Thailand}]$)
- (2) Use TradeMap's data from 2001- 2011 to compare the forecasted change in trade and the actual one. Are results generated by GTAP compatible with the actual trade flows?

Example

Thailand –New Zealand : Trade Balance



Example : Thailand 's Exports to New Zealand



Suggestions on 2nd Assignment

- (1) Written report : the format of consulting company (PowerPoint with texts and graphs/diagrams)
- (2) Submit the hardcopy at the box in front of my office (Thursday October 18th) and also email to PowerPoint file to nattapong@econ.tu.ac.th
- (3) Presentation time : 20-25 minutes
- (4) Sequence of presentation : from draw

Suggestions on 2nd Assignment

(5) Length of report : 8 – 10 pages

(6) Structure of report

Part 1 - Introduction and project's background

Part 2 - Sources of data

Part 3 - Analytical methodologies and results

- Results from GTAP simulations

- Historical trends (flows of trade)

- Other related info/data are welcome

Part 4 - Judgement on model's accuracy and policy recommendations

Grading Criteria

- **Quality of report (60%)**
 - appropriate methodologies (20%)
 - critical reasoning in result analysis and policy recommendation (20%)
 - format of report (comprehensive graphical communication and concise text explanation) (10%)
 - on-time submission (10%)
- **Quality of presentation (40%)**
 - convincing verbal explanation (20%)
 - comprehensive Q&A (20%)