WTO General Council: Thailand

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1 Introduction and Executive Summary

Thailand is an export dependant country in Southeast Asia. Its emerging manufacturing sector has made it one of the top fifteen car exporting nations and a competitive market for the production of high-tech hardware. China is its most important economic and political partner whilst a military coup in 2014 has left it alienated to a certain extend in the western world. At the moment, the economic growth and development is stable even though the country faces some challenges. Delegates should, therefore, take the following points into consideration to ensure the same stability in the future:

- working on reducing the trade deficit with the People's Republic of China,
- fostering existing trade relations and creating new ones,
- finalizing the FTA with the European Union,
- securing foreign direct investments to improve economic growth.

This dossier is intended to provide delegates with a brief insight into Thailand's economy as well as trade relations. It is a good place to start the research and preparation for the upcoming sessions of the World Trade Organization.

2 Economic Structure

The World Bank classifies Thailand as an emerging market [1]. It is a founding member of ASEAN and strongly supports its efforts to promote economic development, social integration, and stability throughout the region [2]. The GDP stands at USD $455,378$ million, exports make up approximately two thirds of it. Therefore, Thailand is the second largest economy in Southeast Asia. The main export commodity is manufactured goods e.g. automatic data processing machines, motor cars and electronic integrated circuits. Oil and vehicle parts are the two main imported product groups [3]. This already shows that manufacturing is still the most important economic sector. Nevertheless, the service sector has also been growing rapidly and contributes significantly to the GDP. Furthermore, Thailand's economy is dependant on the many tourists, visiting the country every year, their purchasing power bringing notable wealth to the touristic regions.
Additionally, the World Bank has predicted that Thailand's GDP growth will decrease over the next couple of years due to rising oil and consumer goods prices and other hampering factors [1]. Thai people are reluctant to spent money, as the household dept is high. At the same time, the population is aging rapidly wherefore, many people leave the workforce every year while not as many enter it. Lastly, the infrastructure is not developing at the same speed as the economy is, slowing down the growth even further [4].
Foreign direct investment is an important element of Thailand's economic development, and the country is one of the major FDI destinations in its region. After several consecutive years of decline, FDI flows have largely recovered. Government policy is generally in favour of investment and encourages free trade: there are, for example, no restrictions in the manufacturing sector or export conditions, just as there are many government agencies helping foreign and domestic investors [5].

3 Trade Balance

Thailand's overall trade balance is positive, making it a strong export nation. However, the deficit resulting from trade with the People's Republic of China is still significant (USD $-12,802.23$ million). Thai delegates should work towards reducing this. The imbalance is only compensated by high surpluses from trading with the United States (USD $8,409.69$ million) and the European Union (USD $1,538.89$ million) as well as other states [6].

4 Trade Partners

Thailand is a member of ASEAN and thereby, has a FTA with its main trading partner- the People's Republic of China. The Commerce Ministry has always prioritized Thai-Asean trade. Of all their foreign trade, they attach the greatest importance to exports to the Asean region. Thailand will greatly benefit from growth in exports to other Asean countries as the Kingdom is geographically located in the centre of the region. A healthy growth in Thai-Asean exports will help strengthen various aspects of the Thai economy such as manufacturing, agriculture and services [7].
Japan is Thailand's second largest importer and also important export partner. In 2007, Japan and Thailand signed on Japan-Thailand Economic Partnership Agreement (JTEPA) and it came into effect. JTEPA is expected to enhance trade, investment and cooperation between the two countries. The total trade volume between Thailand and Japan as well as Japan's direct investment in Thailand had increased after JTEPA came into force [8].
With Thailand's third largest export partner- the EU- negotiations were launched in 2013. The goal was a comprehensive FTA covering tariffs, non-tariff barriers and other trade-related issues such as services, investment, procurement, intellectual property, regulatory issues, competition and sustainable development. The talks were suspended after the 2014 military coup. In 2015, the EU said it would delay signing an agreement and demanded a swift return to democracy [9].

5 Trade Interests

In the course of the US-China trade dispute, Thailand could reap the windfall from the relocation of China-based multinationals firms that are facing tariff hikes, in sectors like robotics, aviation parts, automotive, computer parts and electronics. In the long run, Thailand can be considered as a viable alternative in South East Asia to replace China in the supply chain and to avoid been hit by an escalating trade war between the two giants [10].
Additionally, delegates should try to acquire more FDIs, as these are vital for a sustainable economic growth. Thailand also has a great interest in finalizing FTAs with the European Union and other countries to secure its export to these states.

6 Recent Developments

China has made marked diplomatic, economic and strategic gains in Thailand since the mid-2014 military coup that suspended democracy, curtailed rights and thus isolated the country from its traditional allies in the West, including most crucially the United States. While the US and European Union stood hard on ideological demands for a restoration of democracy, China has continued its investments in the country. Especially, with the China-Thailand railway, an 873-kilometer high-speed line that in theory will link Thailand's east coast ports and industrial zones to China's southern city of Kunming and is essential for China's *Belt and Road Initiative* [11].

Thailand is also taking part in the negotiations for the the *Regional Comprehensive Economic Partnership* agreement, which is in the final rounds of discussion. The mega pact aims to relax norms and significantly cut import duties to boost trade in goods, services, promote investments, technical cooperation, and intellectual property rights [12].

Lately, Chinese tourist arrivals in Thailand are tumbling, dragging down overall visitor growth in the Southeast Asian nation and dimming the outlook for an economy that relies on spending by holidaymakers. Travellers from China slid 12 per cent in August, the biggest drop in more than a year, keeping the overall pace of visitor growth near a 16-month low. Thai officials are rattled as Chinese visitors are the top source of foreign receipts in an industry that makes up about a fifth of the economy [13].

7 References

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