

Thailand's Efficient Trade Agreement and its Impacts on Poverty and Income Inequality

Durongkaveroj, Wannaphong

Lecturer, Faculty of Economics, Chiang Mai University, Thailand, wannaphongd@gmail.com

The purposes of this study are to examine changes in Thailand's economic structure in order to design the proper and efficient policies of Free Trade Agreement (FTA), and to investigate the impacts of FTA between Thailand and the main exporting countries including China, the United States of America, Japan, Malaysia, and Hong Kong which mainly highlights the impacts on macroeconomic variables, poverty, and income inequality. Research methodologies are the descriptive analysis, Revealed Competitive Advantage (RCA) Index, and Computable General Equilibrium (CGE) model.

The results reveal that there is a significant change in Thailand's economic structure between 1961 - 2014. The proportion of agricultural output to Gross Domestic Product (GDP) dramatically declines as a result of slower increase of agricultural output compared to other sectors; meanwhile, the share of Thailand's GDP derived from industrial sector definitely increases as a result of the continual Thailand's national economic and social development plans since 1961, the promotion of international trade, and the export-oriented Foreign Direct Investment (FDI). Additionally, it is found that export is the main Thailand's economic motivator which one of the interesting methods to boost the volume of export is FTA.

Thailand has currently signed FTA, both bilateral and regional framework, with many countries. Nevertheless, according to the results from CGE model, the gains in economic dimension will be maximized if Thailand signs FTA with main exporting countries stressing on liberalizing mainly its competitive products. Additionally, the results suggest that FTA can help reducing poverty but the income distribution will clearly worsen because the return to capital owner is higher than to labor. Thus, government and negotiator should concern more on the distribution of benefits from future trade agreement and also the remedy measures for the negatively affected group.