

# Overview on TPP: Potential impact on Thailand's economy and a chance for country reform

**Wisarn Pupphavesa, Ph.D.**

**Senior Advisor**

**International Economic Relations**

**Thailand Development Research Institute**

**Presented at ITH Technical Conference 2016**

**Trans Pacific Partnership: Impact on Thailand's  
Economy, Society, and Health System**

**8<sup>th</sup> August 2016  
Bangkok, Thailand**

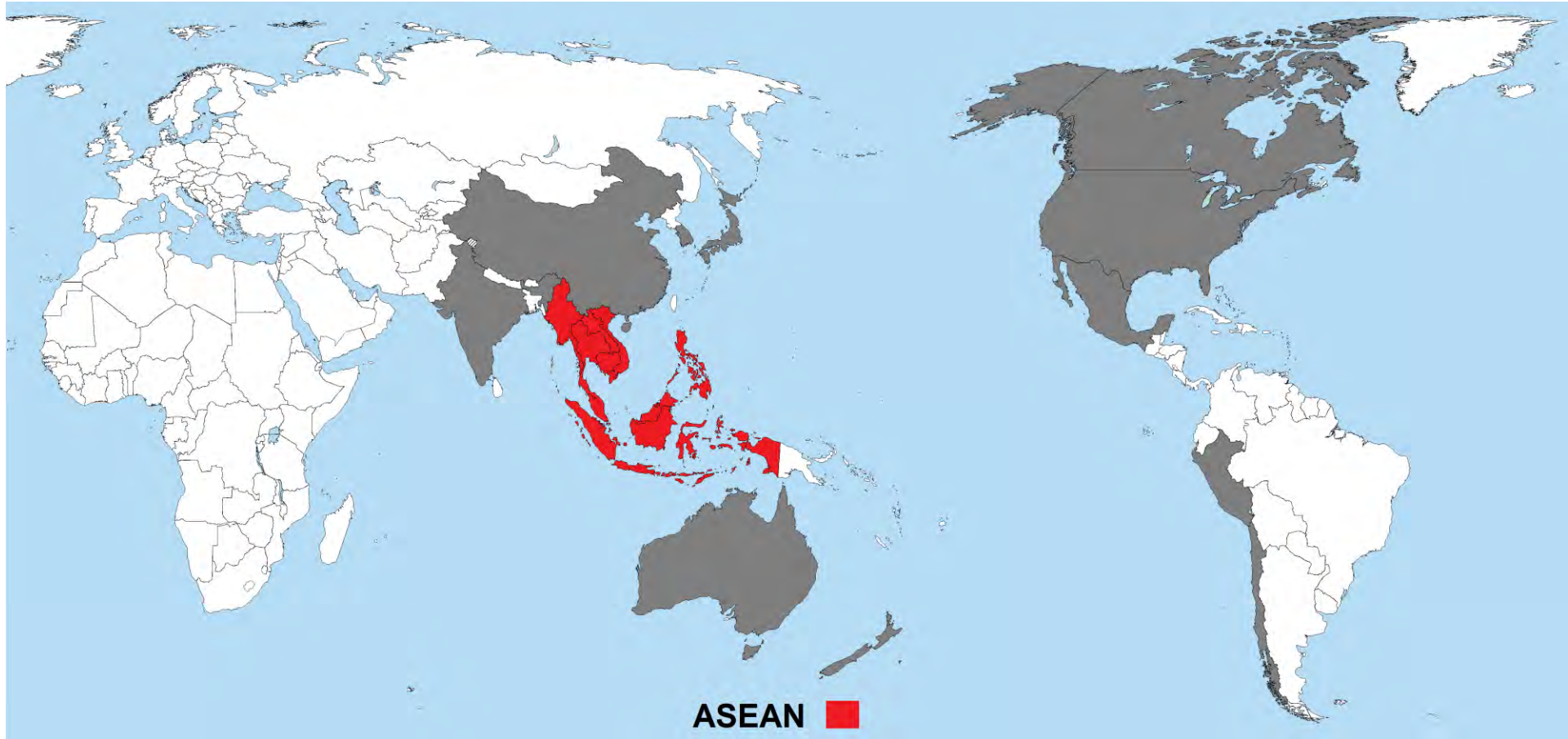
# 1. Why TPP?

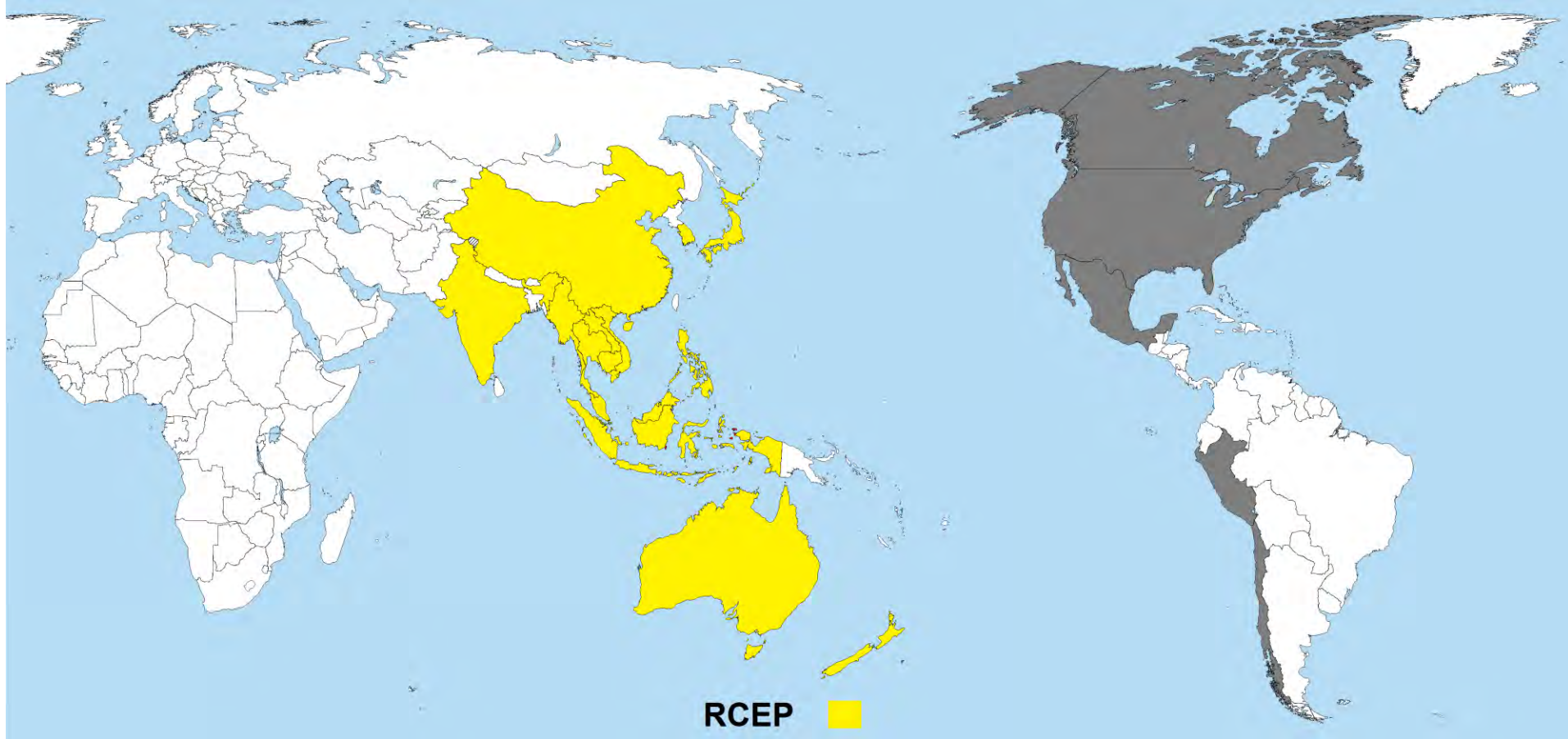
TPP is a missing link of the global competitive value chain

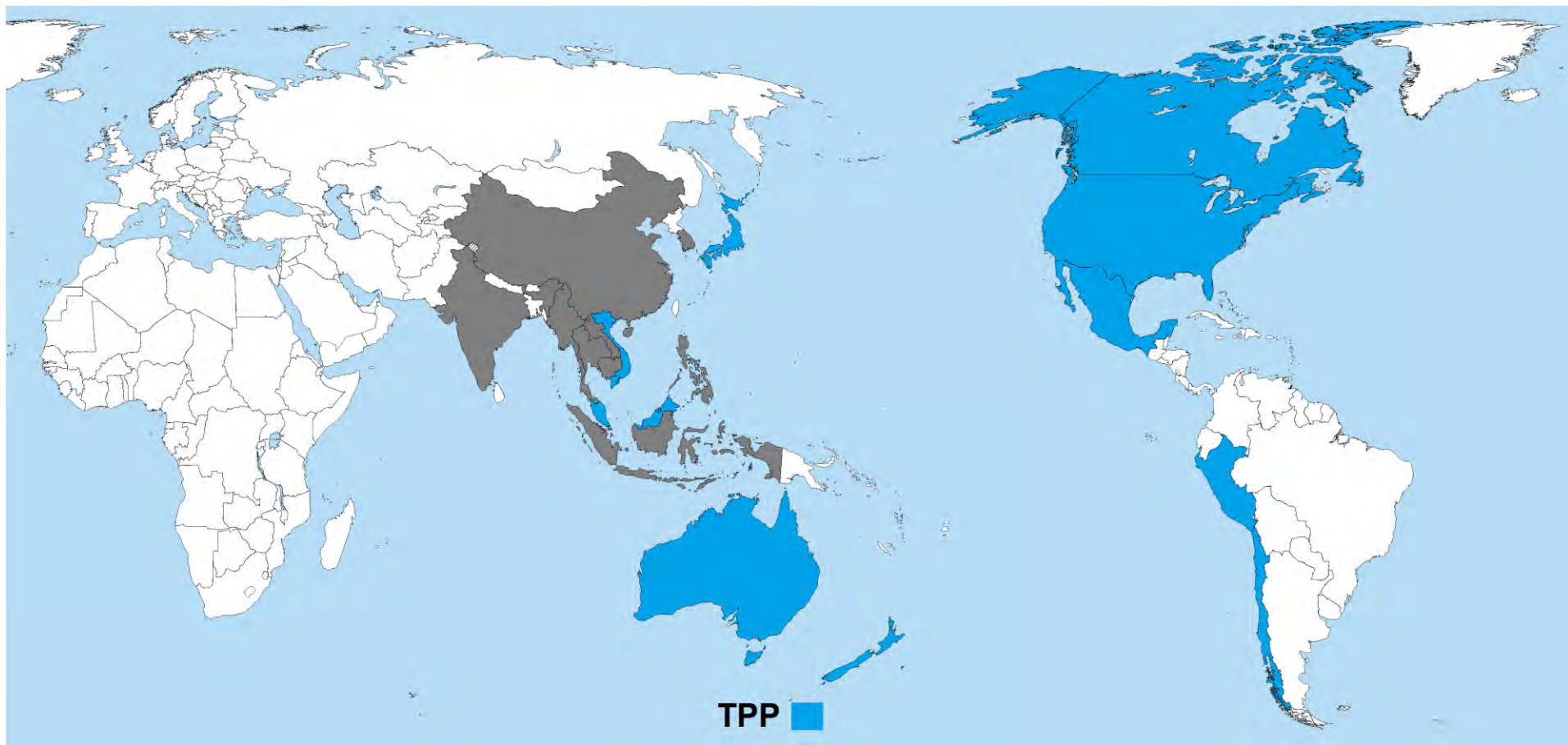
TPP is **not rivalry** but **complementarity** of RCEP

Thailand would be better off with

- broader and more diversified sources of competitive inputs and technology
- broader and more diversified markets








## 2. What Impact to Consider

**Benefits / Costs of joining** is no longer a relevant question.



The relevant question for Thailand now is about the **benefits and costs of not joining the TPP**

**H1: B/C of joining TPP > 0 > B/C of not joining TPP**

## 3. How the Impact Should Be Assessed

How TPP would contribute to achieving Thailand's development objective?

How Thailand would become should it not join TPP?

**H2: TPP would reinforce, accelerate and enhance efficiency of Thailand's reform to achieve its development goals**

**H3: B/C to Thailand under regional reform > under unilateral reform**

### 4.1 NT and Market Access for Goods

#### Commitment:

Reducing / eliminating tariff and other trade barriers on agricultural and manufactured products

#### Potential Impact:

As a party



As a non-party





# Thailand's customs tariff structure under selected FTAs by stage of production in 2013

Stage of Production	Applied MFN rate				ASEAN				ASEAN-Korea			
	Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share
Raw materials	13.5	60	0	23.1	0.03	5	0	99.5	0.5	40	0	95.8
Intermediate goods	5.2	60	0	30.7	0.003	5	0	99.9	0.7	30	0	91.0
Consumer goods	19	80	0	11.6	0.01	5	0	99.8	2.5	80	0	87
Capital goods	8.2	80	0	17.5	0	0	0	100	4.1	80	0	83.5

Stage of Production	Thailand-Australia				ASEAN-China				Thailand-Japan			
	Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share	Average	Max.	Min.	0% rate share
Raw materials	0.5	19	0	95.5	0.1	20	0	99	1.7	14.6	0	73.4
Intermediate goods	0.3	30	0	95.5	0.8	40	0	93.9	1.7	30	0	73.9
Consumer goods	0.7	30	0	88.8	4.4	80	0	87.7	3.1	60	0	72.5
Capital goods	0.1	10	0	99.1	5.2	72	0	79.9	5.0	35.5	0	74.4

Source: Author's calculations using WTO Tariff Analysis Online, Tariff schedules for corresponding FTA agreements.

\*By stage of production, defined by UNCTAD

## 4.2 Rules of Origin

### Commitment:

Promote supply chain within TPP members and adaptation to future change

### Potential Impact:

As a party



As a non-party



# Table : Frequency by Type of ROOs Used in ASEAN+1 FTAs (HS2002)

ROO type	ATIGA	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA
Single Rule or stricter						
WO	185	294	8		3	458
CC		248	1		735	61
CTH		107			137	4
CTSH					8	
RVC(<40)						36
RVC(40)	149	68	4659		219	22
RVC(>40)						6
RVC(35)+CTSH				5224		
CC with exception*		3			258	
CTH with exception*		10			20	
Various**		43				3
Sub-total	334	773	4,668	5,224	1,380	590
% share in total	6.4%	14.8%	89.4%	100.0%	26.4%	11.3%
<b>"RVC(40) or CTH" or more flexible</b>						
RVC(40) or CTH	2679	2204	122		3057	4076
RVC(40) or CTH or Specific Process Rule		24				
RCV(40) or CTSH	756	1072			33	61
RVC(40) or CTH or [RVC(35)+CTSH]	136	195				
RVC(40) or CTH or Textile Rule	347	6				
Sub-total	3918	3501	122	0	3090	4137
% share in total	75.0%	67.0%	2.3%	0.0%	59.2%	79.2%
Other "or" rules						
RVC(40) or CC or Textile Rule	463					
RVC(40) or CC	453	583	7		126	487
Various***	56	367	427		628	10
Sub-total	972	950	434	0	754	497
% share in total	18.6%	18.2%	8.3%	0.0%	14.4%	9.5%
<b>Total</b>	<b>5,224</b>	<b>5,224</b>	<b>5,224</b>	<b>5,224</b>	<b>5,224</b>	<b>5,224</b>

Notes: WO- wholly obtained; CC- change in chapter; CTH- change in tariff heading; CTSH- change in tariff subheading; RVC- regional value content.

\*Exception varies from sourcing of materials to process.

\*\*e.g. CTH + RVC (40), CC + RVC (40), CC + Textile Rule.

\*\*\*e.g. [RVC (40)+Textile Rule] or CC, RVC (>40) or CTH.

Source: Medalla (forthcoming)

## Table : Processing Time for Origin Certificate Procedure

Country	Issuing Body/ Authority	Pre-Export Verification (Examination of Origin)	Issuance of CO
Australia	Australian Industry Group Australian Chamber (ACCI)	Automatic	Within 1 working day 2 hours for electronic application
Brunei	MOFAT, Department of Trade Dev't	30 days (includes company registration)	1-2 working days
Cambodia	Ministry of Commerce (Dept of Mult'l Trade)	Within 7 working days	10 hours, 55 mins
China	Entry-Exit Inspection and Quarantine Bur.	20-30 working days	Within 1 day
Indonesia	Ministry of Trade (Export & Import Facilitation)	15 working days for first time users; 1 working day for exporters in database	Within 1 day
Japan	Japan Chamber (JCCI)	Within 3 working days	Within 2 working days
Korea	Korean Customs Service Korean Chamber (KCCI)	Regular cases: 3 working days; Cases needing onsite examination: 10 working days	
Laos	Ministry of Commerce and Industry	3 - 7 days	3 days
Malaysia	Ministry of International Trade & Industry	5 working days for online, 7 working days for manual application	1 working day for online, 2 days for manual
Myanmar	Ministry of Commerce	7 working days	1 working day
New Zealand	New Zealand Chamber (NZCCI)	1 working day, if procedures and information provided are in order	1 working day
	Independent Verification Services	Within one hour	Within 4 hours
Philippines	Bureau of Customs	Within 5 working days	Within same day
Singapore	Singapore Customs	Step 1: Factory registration - 1 week Step 2: Manufacturing cost statement - at least 7 days before exportation	2- 3 working hours
Thailand	Ministry of Com., Foreign Trade Dept	3 working days	Within 1 day; 4 hours for EDI systems
Vietnam	Government Issuing Authority	Within 5 working days	

## 4.3 Textile and Apparel

### Commitment:

Eliminating tariff, strict ROO and enforcement, safeguard, discriminating non-party

### Potential Impact:

As a party



As a non-party



## 4.4 Custom Administration and Trade Facilitation

### Commitment:

Transparent, facilitating, efficient, advance ruling, express shipment, cooperation

### Potential Impact:

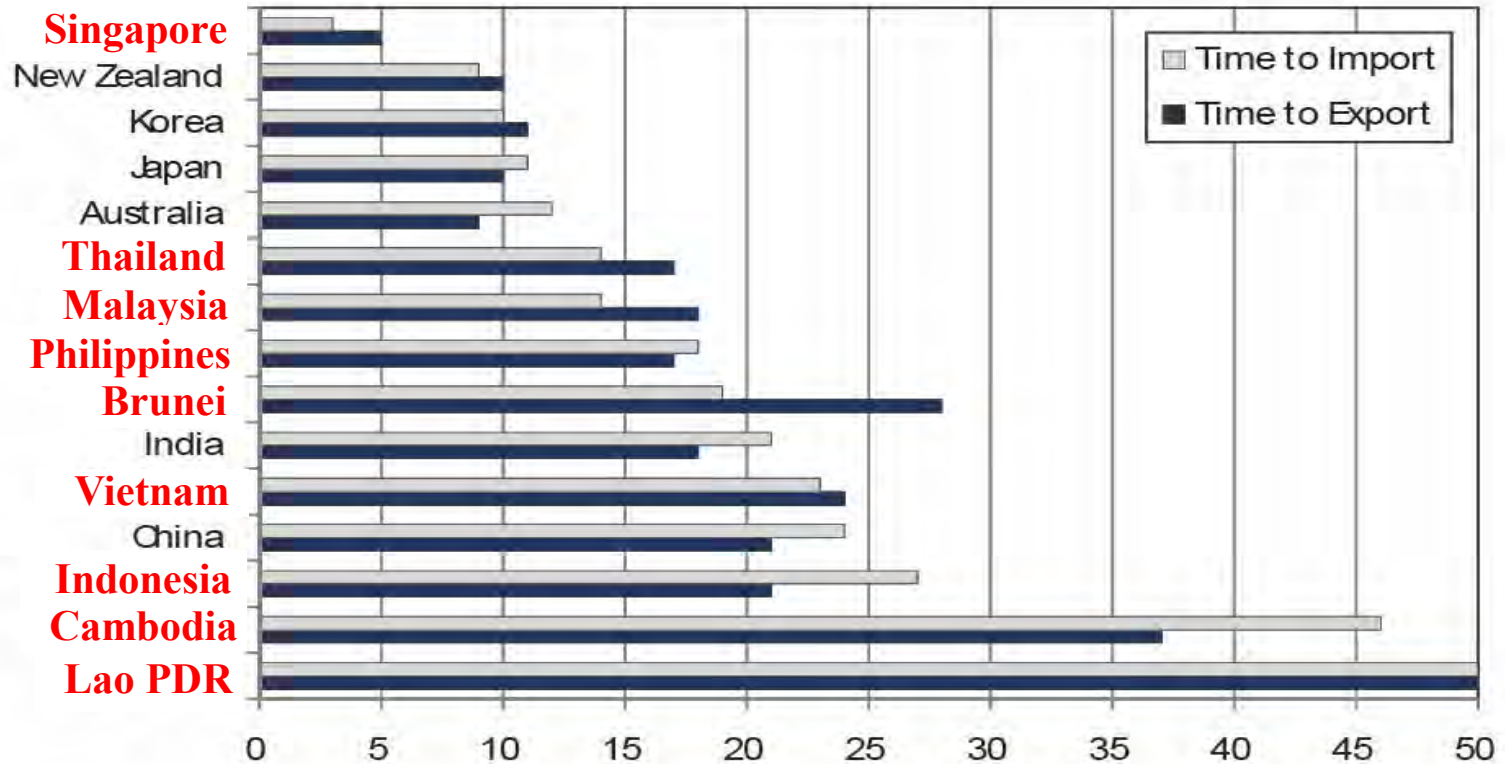
As a party



As a non-party



**Time for trading across borders (days)**



Source: World Bank, Doing Business 2008, Washington, D.C.

Table : Trade gravity results: 6 main industries

Industry:	Food Products (HS16-23)			Chemicals (HS 28-38)		
	(Baseline)	(Modified I)	(Modified II)	(Baseline)	(Modified I)	(Modified II)
Dependent variable:	Export	Export	Export	Export	Export	Export
Bilateral Sum of GDP ( $G_{ij}$ )	0.130*** (0.00128)	0.123*** (0.00153)	0.140*** (0.00139)	0.164*** (0.000691)	0.146*** (0.000758)	0.177*** (0.000697)
Similarity in Country Size ( $S_{ij}$ )	0.00990*** (0.000581)	0.00938*** (0.000720)	0.00538*** (0.000655)	0.00676*** (0.000316)	0.00830*** (0.000353)	0.00265*** (0.000324)
Difference in Relative Factor Endowments ( $R_{ij}$ )	-0.0311*** (0.00114)	-0.0271*** (0.00129)	-0.0301*** (0.00120)	0.00622*** (0.000549)	0.0118*** (0.000590)	0.0171*** (0.000544)
Log Distance	-0.140*** (0.00147)	-0.129*** (0.00166)	-0.156*** (0.00154)	-0.112*** (0.000766)	-0.106*** (0.000798)	-0.132*** (0.000701)
Dummy: Border	0.109*** (0.00404)	0.0850*** (0.00500)	0.0827*** (0.00451)	0.0698*** (0.00217)	0.0633*** (0.00244)	0.0739*** (0.00214)
Dummy: Common Language	0.0359*** (0.00334)	0.0254*** (0.00378)	0.0433*** (0.00338)	-0.0154*** (0.00171)	-0.0260*** (0.00181)	-0.00620*** (0.00160)
Trade Facilities (Exporters)		0.000952 (0.00587)	0.0150*** (0.00539)		0.154*** (0.00280)	0.206*** (0.00265)
Trade Facilities (Importers)		0.0364*** (0.00526)	0.0574*** (0.00472)		0.0928*** (0.00251)	0.113*** (0.00228)
Log(1+tariff)		-0.0874*** (0.0129)	-0.138*** (0.0103)		0.110*** (0.0120)	-0.0668*** (0.0128)
Constant	-0.998*** (0.0352)	-1.013*** (0.0420)	-0.990*** (0.0398)	-2.234*** (0.0189)	-2.754*** (0.0213)	-4.131*** (0.0270)
Product Fixed Effects	No	No	Yes	No	No	Yes
Year Fixed Effects	No	No	Yes	No	No	Yes
Observations	187,768	151,911	151,911	686,566	633,210	633,210
R-squared	0.144	0.112	0.261	0.105	0.106	0.288

Notes: Standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Source: Authors' calculations



Table : Trade gravity results: 6 main industries (cont.)

Industry:	Plastic and Rubbers (HS 39-40)			Metals (HS 72-83)		
	(Baseline) Export	(Modified I) Export	(Modified II) Export	(Baseline) Export	(Modified I) Export	(Modified II) Export
Bilateral Sum of GDP ( $G_i$ )	0.169*** (0.000908)	0.143*** (0.000976)	0.162*** (0.000874)	0.171*** (0.000674)	0.144*** (0.000725)	0.162*** (0.000663)
Similarity in Country Size ( $S_i$ )	-0.00136*** (0.000412)	0.00236*** (0.000457)	-0.000830** (0.000411)	-0.00495*** (0.000300)	-0.00346*** (0.000334)	-0.00670*** (0.000305)
Difference in Relative Factor Endowments ( $R_i$ )	0.00192** (0.000761)	0.0139*** (0.000810)	0.0168*** (0.000727)	0.0184*** (0.000548)	0.0323*** (0.000593)	0.0308*** (0.000547)
Log Distance	-0.162*** (0.00102)	-0.156*** (0.00104)	-0.175*** (0.000895)	-0.165*** (0.000738)	-0.155*** (0.000761)	-0.167*** (0.000679)
Dummy: Border	0.0617*** (0.00294)	0.0535*** (0.00321)	0.0588*** (0.00273)	0.0685*** (0.00211)	0.0612*** (0.00238)	0.0621*** (0.00206)
Dummy: Common language	-0.00432* (0.00241)	-0.0209*** (0.00250)	-0.0131*** (0.00216)	-0.000939 (0.00169)	-0.0167*** (0.00178)	-0.00413** (0.00161)
Trade Facilities (Exporters)		0.249*** (0.00372)	0.292*** (0.00339)		0.209*** (0.00279)	0.248*** (0.00258)
Trade Facilities (Importers)		0.113*** (0.00335)	0.129*** (0.00298)		0.132*** (0.00248)	0.153*** (0.00223)
Log(1+tariff)		-0.0844*** (0.0164)	-0.195*** (0.0158)		-0.344*** (0.0123)	-0.112*** (0.0109)
Constant	-1.841*** (0.0250)	-2.595*** (0.0280)	-3.636*** (0.0903)	-1.985*** (0.0185)	-2.663*** (0.0212)	-3.679*** (0.223)
Product Fixed Effects	No	No	Yes	No	No	Yes
Year Fixed Effects	No	No	Yes	No	No	Yes
Observations	301,659	287,013	287,013	647,305	605,731	605,731
R-squared	0.170	0.176	0.364	0.147	0.150	0.317

Notes: Standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Source: Authors' calculations

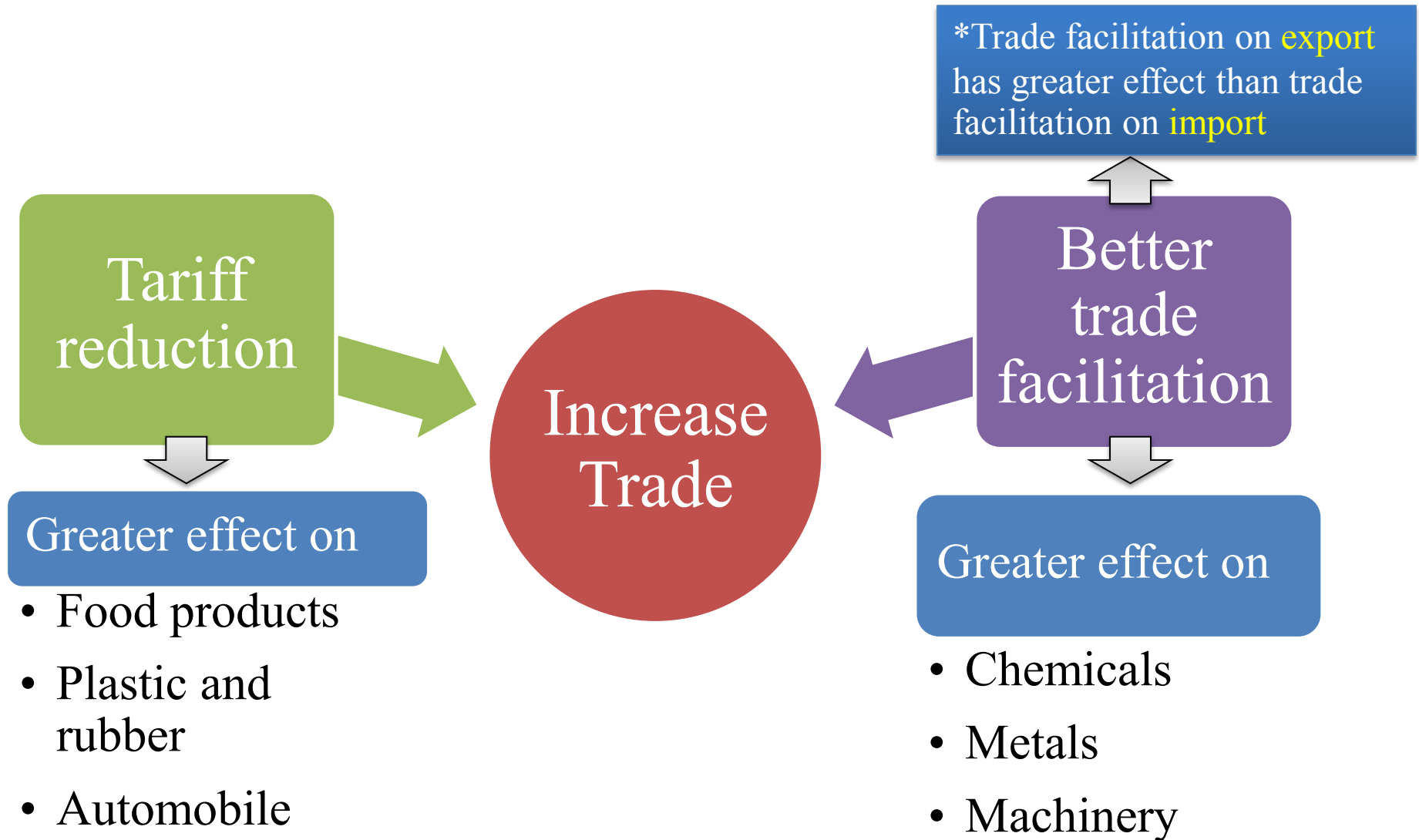
Table : Trade gravity results: 6 main industries (cont.)

Industry:	Machinery (HS84-85)			Automobile (HS87)		
	(Baseline) Export	(Modified I) Export	(Modified II) Export	(Baseline) Export	(Modified I) Export	(Modified II) Export
Bilateral Sum of GDP ( $G_{ij}$ )	0.192*** (0.000483)	0.163*** (0.000522)	0.185*** (0.000465)	0.164*** (0.00157)	0.148*** (0.00174)	0.166*** (0.00157)
Similarity in Country Size ( $S_{ij}$ )	-0.00549*** (0.000214)	-0.00436*** (0.000241)	-0.00771*** (0.000214)	-0.00927*** (0.000683)	-0.00660*** (0.000820)	-0.0114*** (0.000740)
Difference in Relative Factor Endowments ( $R_{ij}$ )	0.00127*** (0.000397)	0.0176*** (0.000435)	0.0199*** (0.000391)	-0.0444*** (0.00136)	-0.0443*** (0.00153)	-0.0352*** (0.00141)
Log Distance	-0.135*** (0.000543)	-0.127*** (0.000565)	-0.146*** (0.000490)	-0.148*** (0.00181)	-0.142*** (0.00189)	-0.160*** (0.00159)
Dummy: Border	0.0330*** (0.00169)	0.0333*** (0.00189)	0.0378*** (0.00164)	0.0345*** (0.00525)	0.00933 (0.00590)	0.0328*** (0.00500)
Dummy: Common language	0.0171*** (0.00128)	0.00357*** (0.00132)	0.0168*** (0.00112)	-0.0368*** (0.00413)	-0.0342*** (0.00440)	-0.0279*** (0.00386)
Trade Facilities (Exporters)		0.300*** (0.00204)	0.360*** (0.00184)		0.127*** (0.00686)	0.161*** (0.00639)
Trade Facilities (Importers)		0.172*** (0.00185)	0.193*** (0.00164)		0.0616*** (0.00633)	0.0611*** (0.00557)
Log(1+tariff)		-0.0872*** (0.0105)	-0.184*** (0.0104)		0.162*** (0.0141)	-0.219*** (0.0148)
Constant	-2.720*** (0.0135)	-3.851*** (0.0153)	-4.588*** (0.0166)	-1.683*** (0.0434)	-2.036*** (0.0503)	-2.675*** (0.0875)
Product Fixed Effects	No	No	Yes	No	No	Yes
Year Fixed Effects	No	No	Yes	No	No	Yes
Observations	1,080,808	970,136	970,136	99,322	92,249	92,249
R-squared	0.166	0.190	0.381	0.176	0.166	0.373

Notes: Standard errors in parentheses \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Source: Authors' calculations

# Gravity model results



FDI

Trade expansion in **machinery and automobile** also significantly induced FDI

**Trade expansion in export** has greater effect on FDI than **trade expansion on import**

## 4.5 Trade Remedies

Commitment:

WTO plus transitional safeguard

Potential Impact:

As a party



As a non-party



### 4.6 Sanitary and Phytosanitary Measures

#### Commitment:

Transparent, predictability, non-discriminatory scientific base, international standard, cooperative technical consultation

#### Potential Impact:

As a party



As a non-party



### 4.7 Technical Barriers to Trade

#### Commitment:

NT to one another's conformity assessment bodies, transparency, some specific sector regulation (cosmetic, medical devices, pharmaceutical, ICT products, wine and distilled spirit, food products, organic products)

#### Potential Impact:

As a party



As a non-party



## 4.8 Investment

### Commitment:

NT, MFN, negative list, right to regulate in the public interest, burden on claimant, dismissal of frivolous claims, investors "expectations" are not enough, arbitrator ethics/code of conduct

### Potential Impact:

As a party



As a non-party





## 4.9 Cross Border Trade in Services

### Commitment:

NT, MFN, market access, local presence, negative list, right to regulate and introduce new regulations, transparency

### Potential Impact:

As a party



As a non-party



### 4.10 Government Procurement

#### Commitment:

Complete and timely information, fair and transparent procurement procedures, non-discriminatory and flexible specifications, agreed coverage, certain exclusion

#### Potential Impact:

As a party



As a non-party



### 4.11 Competition Policy

#### Commitment:

Effective, consumer protection, fair and transparent procedures, cooperation

#### Potential Impact:

As a party



As a non-party



## 4.12 State-Owned Enterprises (SOEs)

Commitment:

Impartial regulation, transparency

Potential Impact:

As a party



As a non-party



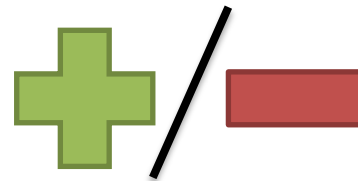
## 4.13 Intellectual Property

### Commitment:

TRIPS plus including protection of test data for biologics medicines

### Potential Impact:

As a party



As a non-party



## 4.14 Labor

### Commitment:

Labor rights, enforcement, elimination of forced labor, abolition of child labor, elimination of employment discrimination, occupational safety and health, cooperation and capacity building

### Potential Impact:

As a party



As a non-party



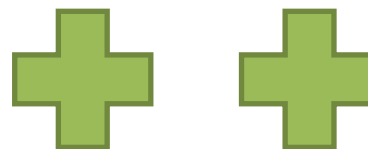
## 4.15 Environment

### Commitment:

Effective enforcement of environmental laws, CITES obligations, prohibit harmful fisheries subsidies, promote sustainable fisheries management and long-term conservation of species at risk, combat illegal fishing, eliminate tariffs on environmental goods and facilitate trade in environmental services, reaffirm commitment to implement MEAs the parties have joined, sanctions or remedies for violation of environmental laws

### Potential Impact:

As a party



As a non-party



### 4.16 Cooperation and Capacity Building

Commitment:

Promote and facilitate cooperation and capacity building

Potential Impact:

As a party



As a non-party





## 4.17 Competitiveness and Business Facilitation

### Commitment:

Promote competitiveness, supply chains efficiency and SME participation in supply chains

### Potential Impact:

As a party



As a non-party



## 4.18 Development

### Commitment:

Collaboration on broad-based economic growth, sustainable development, poverty reduction, promotion of micro, small-and-medium sized enterprises, education, science and technology, research and innovation, start-up business

### Potential Impact:

As a party



As a non-party



## 4.19 Small and Medium-Sized Enterprises

Commitment:

Dedicated on-line website with SME information

Potential Impact:

As a party



As a non-party



## 4.20 Regulatory Coherence

### Commitment:

Promotion, implementation and cooperation on good regulatory practices

### Potential Impact:

As a party



As a non-party



## 4.21 Transparency and Anti-corruption

### Commitment:

Publication of laws, regulations, administrative rulings on TPP; ensure due process procedures; combat corruption; promote integrity among government officials; with special emphasis on transparency and procedural fairness for pharmaceuticals and medical devices

### Potential Impact:

As a party



As a non-party



## 4.22 Dispute Settlement

### Commitment:

Transparency, cooperation and alternative mechanisms, consultation, objective international trade and subject matter experts panels, panelist's code of conduct

### Potential Impact:

As a party



As a non-party



## Desirable Characteristics of policy measures

- **Consistency with AEC and WTO vision, principles and commitments**
- **Market friendly**
- **Effective**
- **Efficient**
- **Equitable access**
- **Inclusive**
- **Sustainable**
- **Transparent**