

Discussion

“Panel Session 2: New issues of regional trade and investment liberalization”

Asia-Pacific Forum 2016

“Advancing trade and investment liberalization in Asia-Pacific”

Thinking beyond AEC, De-facto integration is what really matters and not so much for the De-jure integration.

De-jure integration

- By the beginning of AEC in 2016, Thailand and other ASEAN 6 countries have reduced their tariff rates since 1993 and the planned tariff reduction is almost finished.
- The only major change is that CLMV will have to cut their tariff for other ASEAN members.
- There has been little progress in eliminating NTMs and liberalizing trade in services and investment as of 2015.
- Only 8 professional services are subject to 'mutual recognition arrangements' (MRAs), the implementation of which remains extremely slow.

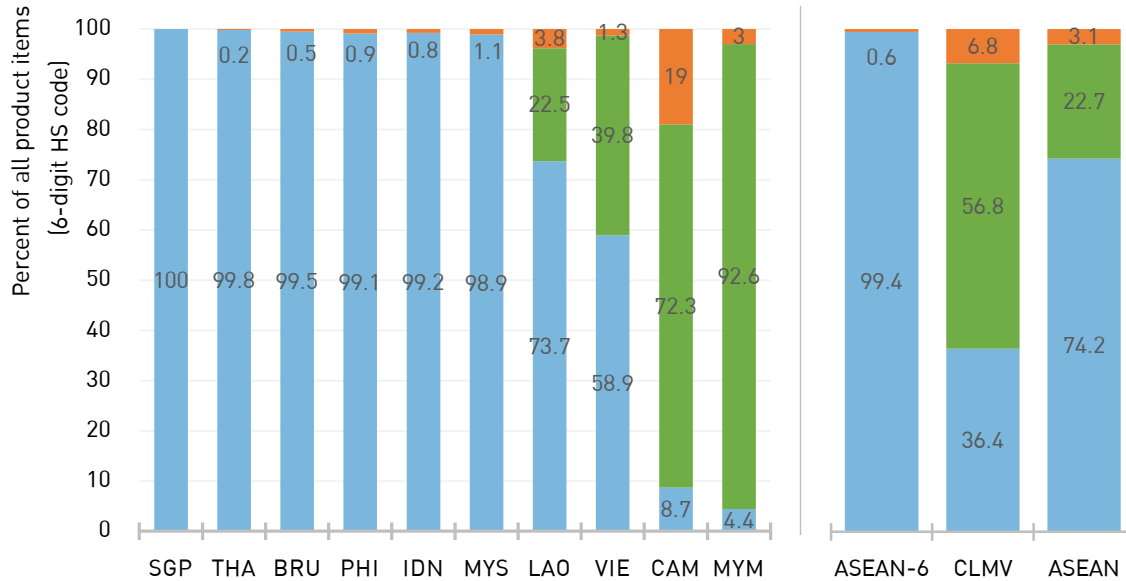
Regional integration that really matters is the de-facto integration not de-jure.

- Thailand and 'mainland' ASEAN are more and more physically connected.
- Trade with ASEAN countries, especially CLMV, continues to increase. There is an emerging pattern of production networking between Thailand and CLMV.
- Thailand's outward investment in ASEAN has surpassed its inward FDI.
- Millions of workers from neighbor countries are already working in Thailand.

Under AFTA, tariff reduction is almost complete.

Tariff rates of ASEAN countries for intra-ASEAN trade

■ Tariff rate = 0% ■ Tariff rate = 1-5% ■ Tariff rate > 5%

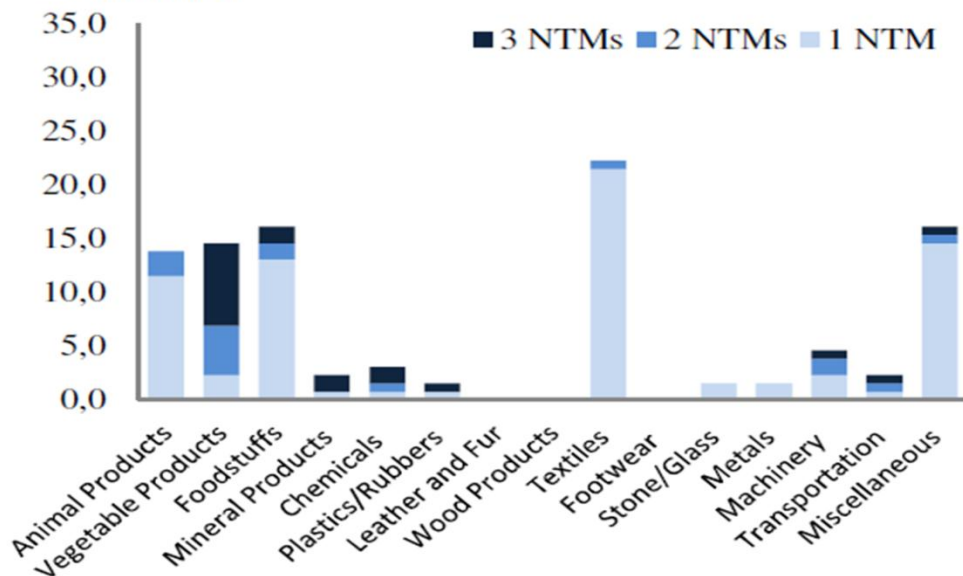


Source: TDRI 's calculation

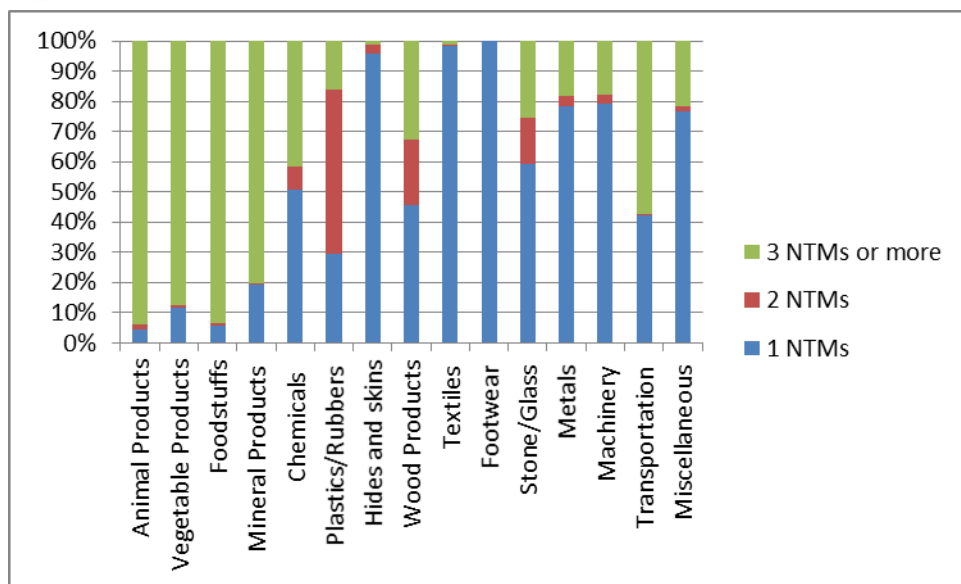
- Among the ASEAN-6, most tariff rates have been reduced to zero.
- For CLMV, products with positive tariff rates amount to 63% of all product items.

NTMs is widespread but need to be carefully accounted for.

Thailand



- Methods of NTM classification matters. Using latest UNCTAD-Mast 2012 classification results in a very different NTM picture as compared to the previous ASEAN secretary database.
- Incentive problem: ATIGA's effort to eliminate NTBs by having countries report their NTMs.

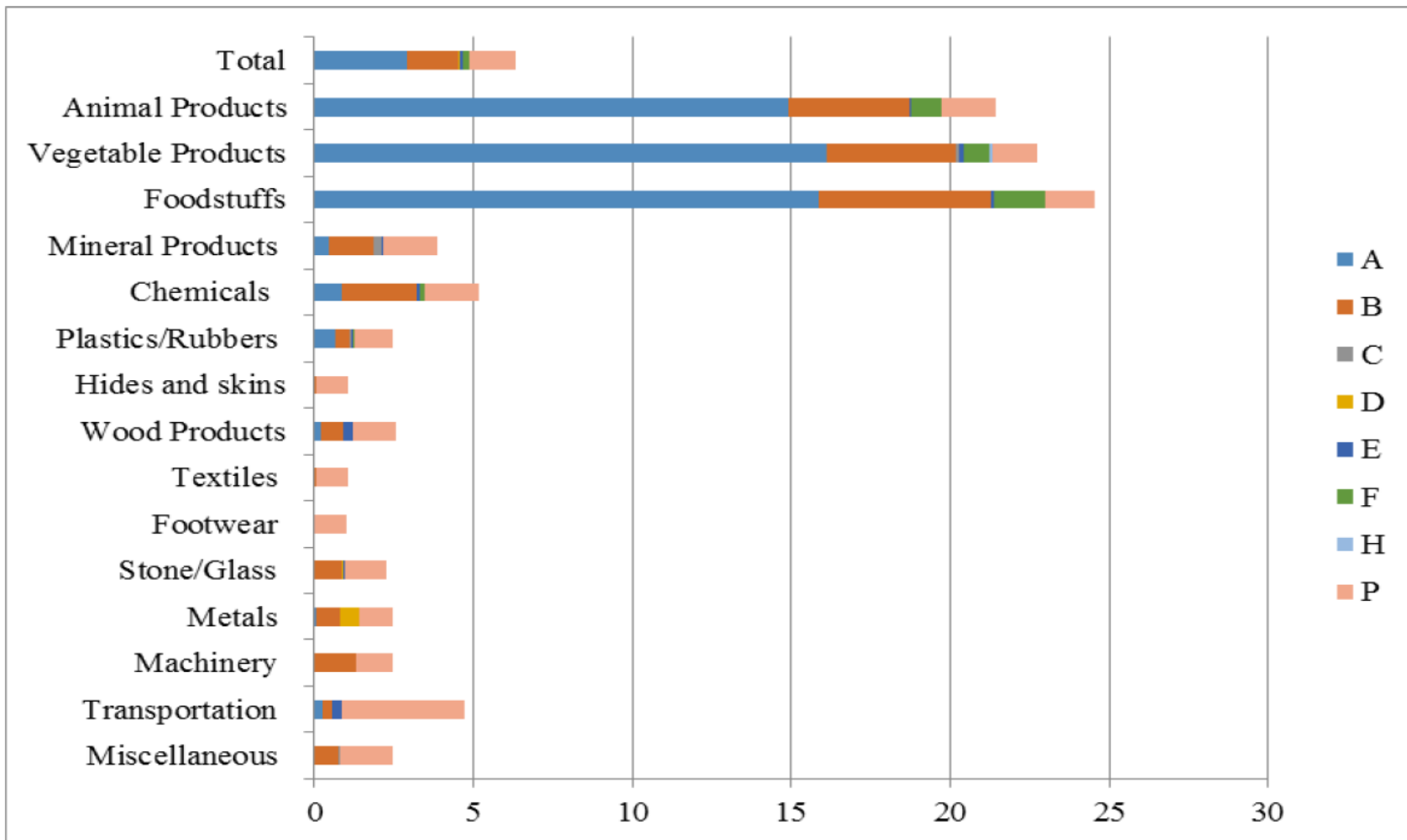


Source:

Top figure: Cadot et.al. (2013) based on ASEAN secretary 2009 database.

Bottom figure: Thailand's NTM database (2015) 4

Figure 11.4: Intensity of Non-tariff Measures: Average Number of Non-tariff Measures per Tariff Line for Each Product Group



Source: Thailand's NTM database (2015).

To maximize benefits and minimize costs of NTMs, we need to move from a “notify-negotiate-eliminate” mode to a national regulatory-reform agenda.

Multilateral effort

An effort at WTO level has limited success. Ambiguity such as “SPS should be based on science”. TBT should be non-discriminating and conforms to international standards → difficult to implement because each country has national standards, which do not necessarily conform with international standards.

Regional effort

Regional attempts (case of ASEAN) suffers from incentive problem. Example is the case of ATIGA’s efforts to classify NTMs into red, amber and green. → Countries don’t want to self report their NTMs.

Although not exactly an attempt at regulatory harmonization, domestic regulatory reforms emphasizing both the NTM measures themselves and regulatory governance should decrease inefficiencies.



World bank toolkit on streamlining NTMs (2012):



1. NTMs cost and benefit review.
2. Process and institutional setup.

SINO-THAI RAILWAY PROJECT



- Sino-Thai Railway Project is Thailand's first standard-gauge railway line project with dual-track for medium-high speed train.
- It aims to create connections between 4 cities (Nong Khai - Nakhon Ratchasima - Bangkok - Rayong) and connectivity between Thailand - Laos - China.
- 2 routes are divided into four segments:
 - Kaeng Khoi - Bangkok
 - Kaeng Khoi - Map Ta Phut port
 - Nakhon Rachasima - Kaeng Khoi
 - Nong Khai - Nakhon Ratchasima



THAI INTERESTS

-  Thailand need infrastructure investment projects that are both economically and financially viable.
-  It also hopes that the railway investment will induce more economic activities in the regions.

CHINESE INTERESTS

-  **Connectivity**
China wants a mega-project that will connect rail infrastructure between Thai – Lao PDR – China, facilitating greater and faster flow of goods and passengers.
-  **Business benefit from selling technology**
China can make money from construction and maintenance (as the train technology will be from China).



Source: *The Economist*

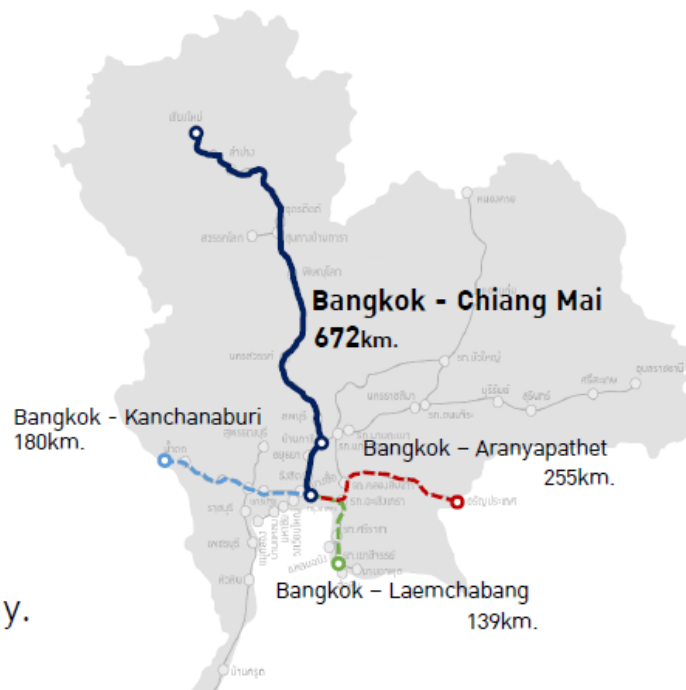
	Initial negotiation	Current negotiation
Construction	Engineering Procurement Contract (EPC) with loan from China	Sino-Thai Joint Venture Company (Investment portion to be decided)
Operation & maintenance	Sino-Thai Joint Venture Company (Investment portion to be decided)	

- Initially, Thailand would be the only party that bears risk of operating the railway, as China will only be responsible for construction.
- The root of the problem is this project is not financially viable.
 - The Sino-Thai dual-track railway is on the same route as the SRT railways upgrading plan which has began; therefore, there will be insufficient traffic demand if there were to be both routes.
- There is uncertainty about the interconnectivity between countries since construction of rail in Lao PDR is still uncertain.
- Therefore, the project size is likely to be reduced and postponed beyond 2018.

THAI-JAPANESE RAILWAY PROJECT

Projects	Distance (km.)	Possibility of speeding up
1. Bangkok - Kanchanaburi	180	Under study by SRT
2. Bangkok - Aranyapathet	255	
3. Bangkok - Laemchabang	139	
4. Bangkok - Chiang Mai	672	Under study by Japan

- Project 1 – 3 are unlikely to happen.
- Project 4 is high-speed railway using Shinkansen technology.



CURRENT SITUATION

- Japan is preparing feasibility studies and expects to finalize them later this year.
- The overlapping route from Bangkok to Ayutthaya with the Sino-Thai railway will need to be worked out as the Shinkansen system may not be able to operate on the Sino-Thai railway tracks.

A recap

- Tariff reduction is no longer an issue. NTMs, services and investment liberalization are major issues in regional integration.
- NTMs need to be collected and classified on the same basis with careful attention to incentive problem.
- An effort at multilateral and regional to streamline NTMs has not been very successful. Country regulatory reform should be the focus.
- The much fanfare railway projects (in the case of Thailand) are not likely to be materialized soon due to some technical problems and uncertainty.