International Trade Public Policy Toward: Opportunities and Risks of Thailand

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Abstract— In the world under changing economic structure in industrial, agriculture and service sectors, many countries tried to acclimatize and make their own national policy strategies, especially trade policy as a public policy that is considerably important to society and the nation. The government must issue policies and implement them to improve their country's economic progress and improve the living of people to the people's needs and also stakeholders. Therefore, if they viewed that a government policy is useful, people will support their government more. It demonstrates relationships between people and the government. Especially, the 21st century is a century when the center of the world will move from the west to the east, i.e. Asia, so that in development of national economic policy, it is necessary to understand the trends and changes that are about to occur to be able to determine the direction and strategy of policy development in accordance with changes. This paper presents the definitions, significance and characteristics of public policy on international trade in Southeast Asia, as well as concepts and theories on public policy on international trade, actors in policy making, and public policy on international trade in Southeast Asia, the impact of public policy on international trade, trends and directions of public policy on international trade. Opportunities and risks of Thailand is also presented to study the overview and relationships between Thailand and other countries in terms of public policy on international trade as a developing country which is a part of the global production network to acclimatize and prepare to improve, by using the methodology of document analysis. Therefore, this paper would help to study on public policy on international trade, to understand the relationships in policy making implementation and to support and develop trade cooperation in various aspects in this region.

Keywords— International Trade, Public Policy, Opportunities and risks.

I. INTRODUCTION

Definitions of Public Policy on International Trade

Most of trade policies have been made through internal government processes rather than foreign policies. Nonetheless, trade policy is considered to be a policy which is related to international affairs, and relevant government officers must be extremely careful of strategy implementation to achieve the goals of policies. Law (2009) gave the definition of "trade policy" that "the rules that relate to the exchange of goods or services which are relevant to international trade, including taxes, subsidies, and regulations on imports or exports", while Economy Watch (2017) international trade policy It is a measure that the state has put in place to operate on international exports and imports. It is divided into 2 policies as follows: Free Trade Policy means trade without any intervention from the government in international trade. This makes the competition in the market completely competitive and the product price is in accordance with the market mechanism with the nature of the free trade policy.

1. The production of goods will use the principle of division of labor.
2. Each government gives all countries the same rights to trade between countries.
3. No trade restrictions whether it is a matter of taxation or quota limits

Protection trade policy or protection trade refers to the government's intervention in international trade. for fear that domestic production will not be able to compete with imported products by using the following measures.

1. Setting up a tax barrier Imported goods that want to be excluded will be subject to high import duties by stipulating a single rate collection regardless of importing from any country or set a number of rates for collecting with foreign countries not equal.

2. Product structure determination is to limit imported and exported goods not to exceed those set by the government to solve the international payment deficit to help promote domestic production Increased employment, higher incomes, improved people's well-being, etc.

II. THEORIES ON INTERNATIONAL TRADE POLICY

International trade policy is directly determined by trade theory. Trade theories explain the patterns of trade and outcomes received from trade by comparing states to the hypothesis of two forms of states: autarky and free trade. In autarky, there are no trades because each state has trade obstacles, but such kind of state does not exist in the real world. Free trade states will do free trade without any policy restrictions, which is not possible as well. Therefore, the thoughts of "free trade" and "protection" have been a subject of arguments (Roberts, 2008), since Smith (2013), Classical Economics, Neoclassical Economics proposed to extremely support the thought of free trade. These arguments could be traced back to classical age to the Middle Ages, and later the principles of free trade in classical political economics appeared, especially the influential writings of Smith (2013), followed by developments in the 19th-20th century. These factors supported the 21st century to move towards focusing on free trade.

Modern Theory of International Trade. Economists have studied and modified the classical theory of international trade by adding assumptions for consideration. There are many types of production factors. Incomplete substitution of factors Migration of production inputs will incur additional costs. And there are opportunity costs (Opportunity Cost) incurred, the migration of production inputs can be divided into 3 types, namely fixed costs, increased costs. and reduced costs benefits of international trade Implementation of a free international trade policy in addition to causing increased productivity or real income. can also bring benefits to at least 6 important trading partner countries, namely:

1. Effects on consumption patterns. and the price of the product due to international trade as a result, the number of products that are consumed and consumed will increase, and the well-being of consumers will improve. However, different countries will bring to produce products that they have more advantages. and turn to buy products that are disadvantaged by production from other countries more As a result, the supply of goods increases, resulting in the price level tends to be lower.
2. Effects on quality and product standards. International trade will increase the volume of production of goods and services to meet the needs of consumers. It also allows consumers to consume products of higher quality and standards because There is more competition in production. This causes manufacturers and exporters to be strict in the quality and standards of their products because they face competitors. This made it necessary to develop production by using advanced and modern techniques and technologies. We always hear that Industrial products manufactured in certain categories It is famous and familiar to consumers in the international market for various reasons such as low price, high quality and beautiful appearance, making it highly desirable by consumers such as Japanese radio, television and video. The needs of other countries even more. In addition, all imported countries can control measures to check the quality and standards of goods. Compared to the production to meet the domestic Because quality control and product standards are more difficult due to the fact that manufacturers are scattered everywhere.

3. Effects on specific expertise. International trade has made countries turn to produce goods that have a higher comparative advantage in order to export more products, but due to the limited number of inputs. Therefore, inputs must be extracted from the production of other products. which now produces less Because there are comparative disadvantages, for example, Thailand pulls production factors from fabric production. To produce rice, while Japan will draw inputs from rice to produce cloth instead. Therefore, the inputs will be more specialized. resulting in economies of scale resulting in lower unit costs.

4. Effects on learning in technology, administration and management. International trade makes it possible to learn production techniques. By adopting production techniques or production methods that are suitable and modern in the production of domestic products such as Techniques or methods of production to increase agricultural and industrial production, which is considered an international imitation of the Japanese method in the past. It has been used and has been effective by imitating British techniques and production methods. and leading countries in Europe by exporting raw silk to sell in exchange for capital goods and machinery, resulting in Japan eventually becoming a developed industrial country. At the same time, international trade provides opportunities for countries to learn and apply management techniques. or administrative techniques from advanced or developed countries to developing countries Therefore, various countries are popular to open trade with foreign countries. A country without dealing with foreign countries will make that country there is no opportunity to learn such techniques. The opening of the country to trade with various countries of the People's Republic of China at present, it is based on the above principles and reasons.

5. Effects on economic growth. Economists generally believe that international trade is an important engine that contributes to the economic growth of Thailand, especially developing countries, through the export process because developing countries in general. Most of the country's population is poor. narrow domestic market thus hindering trade. For this reason, it is necessary to rely on foreign markets, especially developed countries, as the population has high income levels. Extensive domestic market as well as convenient transportation As a result, the demand for goods and services from developing countries has increased. Therefore, relying on foreign markets is an important solution in the early stages of the country's development at the same time. The result of having more income from exports. It would allow developing countries to have foreign currency to import capital goods and machinery. to be used to invest in such economic infrastructure would spend a huge amount of capital beyond the capabilities of developing countries in a short period of time.

6. Effects on Income and Employment An increase in exports will result in an increase in income and employment in the country. Or is it an increase in domestic demand, an increase in exports? .This will allow the country to earn income from the sale of goods and services abroad. As a result, the flow of income in the economy expands higher. Producers will increase spending in the economy more. The producer's consumption expenditure goes on to the income of other groups of people. This process continues, and when the income of the individual increases in the economy is added to it. It can be seen that the national income will increase by many times higher than the income from exports in the first place. and the result of this increase in national income would result in an increase in demand for goods and services within the country, making production Income and employment in the country grew more.

However, in fact, international trade does not always follow international trade theory. Factors that cause international trade to not conform to theories are factors that affects the quantity and price of goods traded do not comply with market mechanisms, or caused market mechanism not function independently, including setting trade barriers by governments of various countries, promoting local businesses to compete with foreign businesses, political reasons, and pressure from great powers to comply with their obligations etc.

III. IMPACTS OF PUBLIC POLICY ON INTERNATIONAL TRADE

Although international trade policy benefits trading partner countries, but international trade policy which determine the direction of international trade could have undesirable consequences, which could be categorized in 6 categories as follows (Meyer, 2017):

1. ***Price Stability:*** International trade which focus on a few kinds of product which have comparative advantage, it will result in making national income dependent on selling a few kinds of product, so that national income become easy to be change. For example, in the past, Thailand’s income came from rice exports. If Thailand could export a large amount of rice due to high demand for rice in the world market, national income increased and national economy became prosperous, and Thai people would spend a lot, that would cause inflation. Oppositely, if overseas demand for rice were reduced rapidly, the income from selling rice decreased, which make domestic spending decreased to the extent that deflation occurred. Moreover, if the economic system is dependent on high imports from overseas, price stability problems would occur, e.g. rapid rising of crude oil price by Organization of Petroleum Exporting Countries (OPEC) in 1973 and 1980 caused inflation all over the world and had a great impact on Thailand’s economy. Because oil is essential in manufacturing, production cost increased so that product price had to increase, and product price level in general had to increase.
2. ***International Economic Stability:*** Implementation of international trade policies which encourage countries to produce goods that they have comparative advantages, it makes many countries have to import products in greater amount than their exports so that it caused trade balance deficit and also international balance of payments deficit, which caused the loss of foreign exchange reserves. The main cause is unequal terms of trade between partner countries. In the case of developing countries in Southeast Asia, generally, export products are agricultural products, which have lower and unstable price in comparison to the price of imported goods, which are usually capital goods and industrial goods.
3. ***Fairness in international income distribution:*** Terms of trade of developing countries tends to decrease so that unequal income distribution become more unfair. This is due to transfer of resources from developing countries to developed

countries through the process of trade deficit and balance of payments deficit.

4. ***Efficiency of Economic Policy:*** The larger the international trade sector, the less effective domestic economic policy will be, i.e. when inflation occurred through the mechanism of both export and import product prices, policies to solve inflation problems will be more complicated. In this case, the government not only has to understand the mechanism of internal relationships in domestic economy, but also has to know and understand about the economy and economic policies of partner countries as well as their impacts on domestic economy, which make problem-solving mechanism more complicated.
5. ***Income and Employment:*** Countries which have a high level of dependence on international trade, if their income from exports decreased, or imports increased considerably, with the result of imports being higher than exports, income and employment of those countries will decrease.
6. ***National Security:*** Implementation of free trade policies aimed to production of a few kinds, or only one kind of goods that they have an advantage, so that national security would become problematic. If foreign trade had to stop for any reason, e.g. war, political conflicts with some countries, difficulties in transportation between countries, etc., it will make people in that country suffered.

IV. INTERNATIONAL TRADE IN THAILAND

The increase in international trade value of Thailand was due to Thailand's trade policy open wide for trading with foreign countries, which influenced the economic change of Thailand. The international economic sector made Thailand's economy to be prosperous rapidly, and made more promotion of foreign investment, which was an important mechanism for accelerating the development of Thailand industry continuously. However, as Thailand's economy was very open, it made Thailand's economy dependent on the world economy or the economy of large industrial countries, and easily shifted by the instability of the world market as well. If the global economy recovered or was a good situation, it would benefit Thailand, but if the global economy shifted or had problems, Thailand's economy would have inevitable obstacles or problems. Moreover, change of trends in the long-term economy would play an important role in determining the direction of the Thailand's economy, including import and export structural changes. By considering each item, products with high import value are mechanical and electrical machinery, nuclear reactor, electrical equipment, iron and steel, mineral fuels, oil, automotive parts and equipment, plastic and plastic products. Thailand imported many products from China and Japan for mechanical and electrical machinery, followed by the United States and Germany. By considering export structure by economic sectors, it was found that export of agricultural products had relatively high proportion at the beginning of economic development plan, but after the government promoted industrial products, industrial products had a higher proportion of exports than agricultural products. By considering each product and market for Thai exports, the major export markets of Thailand are electrical machinery, electrical equipment its and parts, automotive and its parts, gems, pearls, jewelry and precious metals, rubber and rubber products, plastics and plastic articles, mineral fuels, mineral oil, additives from aquatic food such as fish and shrimp, cereals, optical and medical instruments and equipment (HWL, 2004).

According to the Department of Trade Negotiations Ministry of Commerce (2018), international trade in Thailand from the 1960s to the present, Thailand's industrial development policies have been changed from protectionism, i.e. import substitution industry, into production for export. The main measures that the government used to protect import substitution industry was to set a high tariff to protect domestic manufacturers from competition with imported products. By calculation of the effective rate of protection (ERP) from the 1960s to the first half of the 1970s, it was found that the industry which received the highest protection rate was consumer products that competed with imports. The industry which the effective rate of protection (ERP) is negative means that such industry not only is not promoted, but also punished as well. After the mid-1970s, the government became aware of the limitations of import substitution policy that it was not appropriate for Thailand, since Thailand is a small country in the global economy and has a large number of labor. Since the mid-1970s, Thai government had started to pay attention to export promotion. The most appropriate primary measure was to reduce tax rate by changing tax structure into uniform tariff. However, before the mid-1980s, Thailand was in a state of balance of payments deficit and budget deficit, causing Thai government to have a lot of problems in reducing tax rate. Although Thai government had a policy to focus on promoting exports, measures to protect the domestic industry still existed. The effective rate of protection (ERP) of export industry remained negative and was lower than that of import substitution industry. It revealed that the customs structure did not comply with Thai government's intention to promote exports. Thai government therefore used measures to compensate for the bias of such tax structure by providing privileges to reduce tax burden and motivate entrepreneurs to expand their production for exports, so exports grew at a high rate from the mid-1980s to the early 1990s. However, industry protection measures which were used together with export promotion during the 1980s, there were many disadvantages, significantly, exporters did not fully benefit from those privileges due to problems on regulations, procedures, as well as time and expenses that were wasted on providing privileges from the government. Moreover, such measures that do not benefit export manufacturers thoroughly, and were at risk of complaints from the importer countries that such measures were a kind of subsidiaries, which were against the principles of GATT and WTO. Therefore, in the early 1990s, Thai government changed the whole tax structure by reducing customs duties to meet the obligations of the Uruguay Round of multilateral trade negotiations, and reformed tax structure by reducing the number of tax rates to 6 rates, and use VAT in lieu of trade taxes. This made the tax system more equitable and neutral (Magee, 2004). The attempt to reform Thailand's trade policy stumbled upon the financial crisis in 1997, while the reform was not yet completed substantially in the late 1990s. Thailand's international trade strategy changed significantly in the early 2000s. Thai government changed the direction of policy to focus on regional and bilateral negotiation of free trade agreements. Between 2002 and 2006, Thailand had negotiated free trade agreements with partner countries and negotiated under ASEAN framework with a total of 15 negotiation agreements. Many free trade agreements within a short period might not result in economic benefits due to lacking of readiness in negotiations and not carefully studying their impacts thoroughly. Information readiness and careful study would help Thailand's negotiations to have more confidence and a clear position, being able to place measures to promote the target group to receive the full benefits, and able to prepare plans and supporting measures to help the groups that are affected by liberalization.

At present, Thailand has many regional agreements, cooperation framework and bilateral agreements.

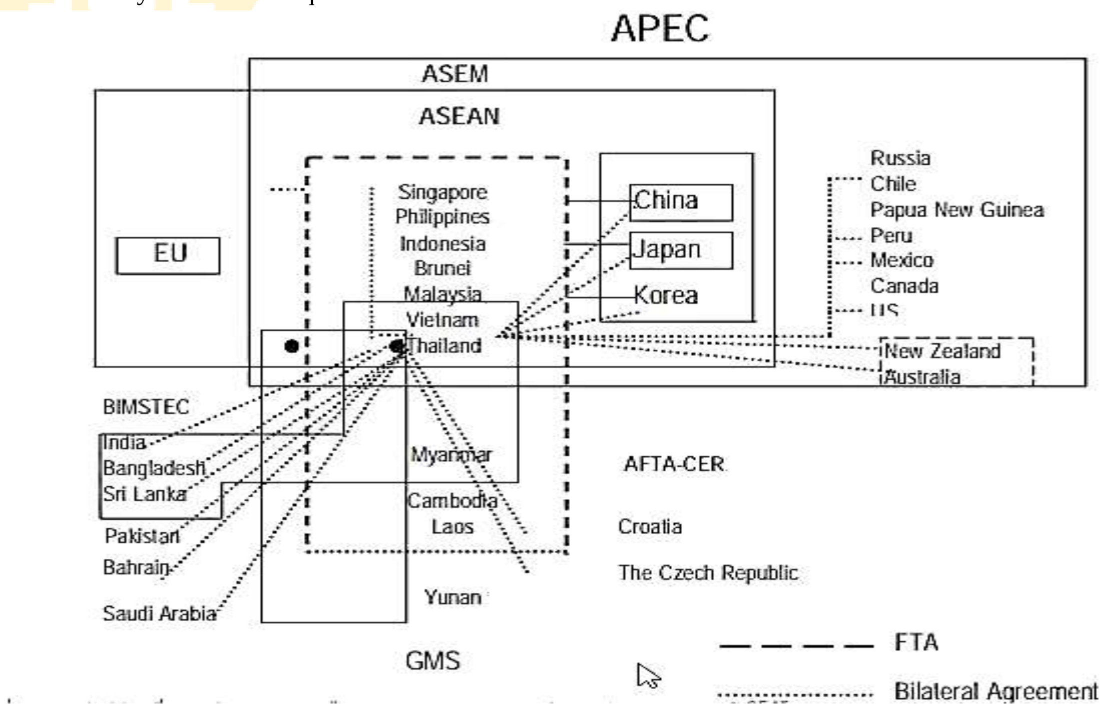

Figure 1.1 Free Trade agreements in which Thailand is Participating
Source: Thailand Development Research Institute (TDRI) 2018

V. OPPORTUNITIES AND RISKS OF THAILAND FROM PUBLIC POLICY ON INTERNATIONAL TRADE

Thailand's Opportunities from Public Policy on International Trade

Overall, Thailand is a country which lack of bargaining power. The opportunity for Thailand is collaboration with all countries to drive negotiation on the world trade arena and create proactive international trade policies to be able to negotiate and to be successful, so that all countries would benefit from the regulated international trading system and from other opportunities as follows:

1. ***Exports:*** would increase the chances of Thai exports to member countries in the groups that Thailand is a member. For example, if Thailand joins the CPTPP, it will increase the value of Thai exports to the CPTPP countries to find new markets like Canada and Mexico. The main products that Thailand has exported to Canada are processed seafood, rice and rubber products. The main products exported to Mexico are automobile and its parts and electronics equipment. This category will be likely to go well if Thailand successfully joined CPTPP or expanding export opportunities to Africa by establishing a distribution center for Thai automobile parts factories in Africa and production base by making use of GSP to export to the European market such as Italy (Pakdeenurit, 2014). This complies with the Comparative Advantage theory, i.e. for a country I is not necessary to produce everything. Therefore, Thailand has exported advantageous products to countries which have higher production cost or unable to produce. Thus, Thailand to need to look for opportunities to export products which have advantage to new markets.
2. ***Foreign investment:*** would attract investments which would like to use Thailand as a production base for export to member countries. If Thailand does not participate, we might lose this opportunity for countries with similar basic economic levels, such as Malaysia, Vietnam. Thailand has now started to develop the EEC project, which is short for Eastern Economic Corridor to attract foreign investments. Investors accepted to invest by building a large number of infrastructure to support investment from investors around the world. Airport development project as a part of the former U-Tapao Airport Development, Eastern Airport City, high-speed train project, double-track railways, commercial seaport and industrial seaport development project, such projects made companies and governments from various nations interested in investment, such as Boeing, Airbus, in the aviation industry, National Education Center of Taiwan National University, Carnegie Mellon University, in education, and Alibaba have invested under the name 'Fifth Generation E-Commerce Park' to join as a center for production, trading, transportation and training on E-Commerce in ASEAN (Akinci, 2008). This complies with the theory of National Competitive Advantage, i.e. a country could compete with other countries if the country has its domestic advantage in order to attract foreign investments, in terms of rules and regulations that facilitate investment, creating business environments that facilitate production, transportation, and building of infrastructure to facilitate operations.
3. ***Competitiveness:*** Thailand's compete-tiveness would be increased by the improvement of domestic regulations to be in line with the standards of various groups that Thailand is a member, which has been known as a high quality trade agreement. Examples of rules that CPTPP supports including labor rights laws, environment protection, supporting equal competition between local and foreign businesses and so on. These legal reforms will have a positive effect on Thailand in the long run, or the establishment of regulatory frameworks which facilitate foreign investment, such as the Eastern Development Special Zone Act B.E. 2018.

Thailand's Risks from Public Policy on International Trade

Furthermore, Thailand 's international trade policy is subject to risks from operations from trading partners, since agricultural products is a major exports and income for Thailand. This paper will give examples of risks associated with agricultural products, to give a clearer picture of the risk. Generally, there are 5 major important problems as follows:

1. ***Market Expansion Problem:*** Expanding to international market of some important exported agricultural products is difficult due to two reasons. Firstly, past exports were often done through international broker, which made it difficult to know the nature of the goods that were needed by the buyer. The opportunity to improve the quality of the product to meet the needs of the market was difficult (Davidson, 2002). Therefore, exporters should find a market that can export directly by themselves in order to find a way to develop and improve the product to meet the needs of the market, and could expand their exports in the future. Another thing is some agricultural products could be exported by using foreign brands, i.e. the importers' brands. Therefore, it is a kind of contract manufacturing rather than exporter. It prevented exporters from creating images or popularity in those products of Thailand. If the importers have other sources of production at a lower cost and change to import from another country instead, Thailand will easily lose the market. Therefore, they should find an export market using a brand of Thailand.

2. ***Problems of Adulteration of Goods and the Export of Non-standard Products:*** In the past, some exporters of agricultural products aimed at their own interests in the short term. Therefore, there were adulterated products and the export of non-standard products such as the exports of durian which were unripe (Department of Business Development, 2018) etc. It destroyed the trust of importers towards Thai exporters as a whole, causing damage to those who do that business, especially agriculturists. Because if export becomes more difficult, domestic product prices would also be lower. In the end, it will affect the income of agriculturists.
3. ***Market Limitation Problem:*** Many important agricultural exports of Thailand have a few, limited important foreign markets, such as the United States, China, Japan and the European Union. If one of those countries reduces imports for any reason, it will affect the export of that product in Thailand and greatly affect the domestic market. Therefore, they should find a way to expand the international market of each product more widely (Sohn and Lee, 2006).
4. ***Trade Barrier Problem:*** Exports of agricultural products in Thailand often encounter the problem of trade barriers in various forms form importing countries, which is a characteristic of protection policy. Despite the WTO's agreement on trade liberalization through reducing and abolishing measures which impede trade barriers for member countries to comply with the aforementioned measures, but in fact they still use trade barriers by using claims on various issues. The major trade barriers (Egger and Larch, 2008) could be summarized into 5 categories as follows:
   - ***a.*** Problems regarding Sanitary and Phytosanitary Measures: This measure is a fundamental right that have existed for a long time in order to protect the life and sanitation of humans, animals and plants, but because such measures have a wide range of authorization, member countries under the General Agreement on Trade and Tariff (GATT) were afraid that without control measures, it would inevitably affect trade. Therefore, the agreement on the application of Sanitary and Phytosanitary Measures (SPS) to Thailand has been signed.
   - ***b.*** Problems Regarding Product Standards: Product standards facilitate trade and they are used to protect consumers, but some countries have set them too high as a tool of trade barriers. Therefore, the WTO member countries have had the Agreement on Technical Barriers to Trade (TBT), which covers the usage of technical and inspection measures for all products.
   - ***c.*** Environmental Problem: It is caused by the trend of environment protection so that it becomes a tool of trade barriers, for the reason of the difference in environmental protection regulations. It caused in contrast of production cost which ultimately lead to competitive advantage for countries that have little or no environmental protection regulations. Thailand is pressured by developed countries on the issue of environmental measures, e.g. the United States used the Marine Mammal Protection Act of 1972 Amendment 1988 to prohibit the import of yellowfin tuna from Thailand.
   - ***d.*** Labor Issues: Developed countries tend to bring up that issue as a reason to use trade barriers, on the issue of using child labor and prisoner labor (Stiglitz, 2000), such as GSP revocation of the United States towards Thailand due to labor abuse. An important point towards maintaining GSP that the United States required is the granting of rights for migrant workers to form their unions, effective enforcement of the law on unfairness, and protection of the right to speak of employees.
5. ***International Trade Competition Problem:*** Nowadays, there is a trend of increasingly intense competition due to efforts to make trade more free, both at different regional and global levels (Baier and Bergstrand, 2007). For example, at present, Thailand faces the problem of establishing NAFTA treaty between the United States and other trading partners. In order to gain an advantage in competing with other countries, the United States has expanded trade with new partners such as Myanmar, Cambodia, Vietnam and Eastern Europe, which caused impact on Thailand because it is the same product group that Thailand has manufactured and shipped to the United States. In such free trade competition environment, some agricultural products and goods in Thailand still have high competitiveness, such as rice, sugar, and cassava products, but there are also some agricultural products that have low competitiveness, such as oil palm, soybean,

dairy products and coffee (Thailand Development Research Institute ,2018). These products will face export problems in the future. Therefore, it is necessary to acclimatize and prepare for such problems, such as lowering the production quantity of competing products, or develop and improve the production of these products to have more competitiveness, if possible. Therefore, Thai foreign trade policy needs to be aware of the various risks arising from international trade, and at the same time, it is necessary to consider the opportunities that arise from international trade as well.

VI. CONCLUSION

In an open economy, a country's economic activities regarding trade, economy, and the implementation of economic policies would directly affect national income. Currently, the globalization system has made the world more borderless, so that it makes international trade more important. Thailand has been a part of the world trade network (Nesadurai, 2003), relying on exports for as much as 70 percent of national income, so that it influences the economy of Thailand. Agencies involved in public policy making has made such policy: The Office of the National Economic and Social Development Council, Ministry of Finance, Ministry of Commerce, Bank of Thailand. They have their part in determining what kind of policy should be made in order to benefit the country, in terms of carrying out international economic activities, such as international trade, international investment, and international economic cooperation. They made them to consider the benefit of the nation as important thing, especially seeing the opportunity to make policies and strategies to attract money from abroad, and to prevent problems and obstacles arose from international trade, because each country has different factors of production, differences in production costs and technology, resulting in trade gaps that allow countries with superior economic power to have more bargaining power than countries with less economic power. This paper is to present the conceptual framework for Thailand in planning to make and implement public policies in international trade.

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