

Trade Digest

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Thailand to launch revolving FTA fund

As the world's economy continues to expand through closer cooperation in trade and investment, Thailand is fully committed to building partnerships through trade agreements aimed at keeping the country competitive in the global value chain. Thailand currently has 13 FTAs in force with 18 countries across the world, while a number of additional FTAs are at various stages of negotiation. One major trade agreement still in the negotiating stage is the Regional Comprehensive Economic Partnership (RCEP), which comprises all ASEAN member states, including Thailand, and five of its FTA partners, namely Australia, China, India, Japan, New Zealand, and South Korea. Aside from its ASEAN agreements, the country is also negotiating bilateral FTAs with Turkey, Sri Lanka, and Pakistan, while there are plans to open FTA talks with the EU and the UK.

The export industry is an integral part of the Thai economy, contributing almost 70% of Thailand's GDP. In the first two quarters of this year, it was reported that Thailand's main export destinations were the United States, China, Japan, and Hong Kong, with the country's most exported goods as of the second quarter of this year being jewelry, motor cars and parts, and computers and parts.

Against this backdrop, the Thai government aims to strengthen the country's export sector through bilateral and multilateral trade cooperation as one of the key drivers of the country's economic growth. Apart from the tariff privileges that many businesses will enjoy through the FTAs, the government has taken into account the potential negative impacts on local entrepreneurs in some sectors. In this respect, the Ministry of Commerce is now considering establishing an FTA fund to support local enterprises with financial and technical assistance.

In the past, a similar financial scheme was put in place under the supervision of the Foreign Trade Department to help Thai businesses that were negatively affected by trade pacts. In total, the scheme provided support to 63 projects across the agricultural, manufacturing, and service sectors. Since 2007, the scheme has provided local entrepreneurs with more than 427 million Baht of financial assistance. However, the fund has been largely depleted and beset by problems over the last few years.

One issue with the mechanism of the existing scheme is the challenge of proving the legitimacy of entrepreneurs' claims in relation to the negative impacts of the FTAs. Also, the current status of the existing scheme is restricted by the government rules on procurement which result in delays in processing payments.

To enable the assistance to reach the target group faster and more efficiently by addressing the operational challenges that exist, the Ministry of Commerce plans to launch a separate FTA fund. In January this year, the FTA fund committee met to discuss the fund development direction. The meeting led to a public hearing with relevant stakeholders in July. Director General of the Department of Trade Negotiations (DTN), Oramon Saphaweetham, disclosed that this new FTA fund will lead to a more accessible and more secure financing mechanism for impacted local entrepreneurs. In the meantime, the Ministry of Commerce led by the DTN will continue to gather insights from relevant parties to ensure the comprehensive development of the fund. The department will be hosting another brainstorming session on September 9, 2020. Interested parties can register via <https://www.bolligercompany.com/seminar/seminar.php>

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