Lalita Lason 2007: The Impact of AFTA Scheme on Imports and Exports of Thailand: Trade Creation and Trade Diversion. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Miss Kanokwan Chancharoenchai, Ph.D. 250 pages.

This study aims to analyze how the ASEAN Free Trade Area (AFTA) affect Thai imports and exports, especially in the case of textiles as it is in the Fast Track tariff reduction item in every AFTA members. In order to examine the effects of AFTA, Balassa approach of trade creation and trade diversion is applied with both descriptive and quantitative analysis. The investigation covers two periods of time: 1) the pre-AFTA integration, and 2) post-AFTA integration. The income elasticity of import and export demand in both periods is finally estimated and made a comparison in order to capture the effect of AFTA on trade.

According to the findings, the establishment of AFTA has significantly affected the fast track tariff reductions items in several countries in either creating or diverting direction. Considering specific item, textiles, Thailand has trade creation from import with the Philippines and Malaysia, but for in stand, not with Indonesia and Singapore. On the export of textiles perspective, Thailand has trade creation only with Indonesia and Malaysia. Meanwhile, it has trade diversion from import and export of textiles with every country in this study sample, meaning that the welfare of Thailand would be reduced. The Gravity model is commonly used to find other factors in which affecting the trade pattern by numerous researchers. They found that currency exchange and inflation rate has significant explanatory power to import and export volume between Thailand and its trade partners.

The results of this study give an important suggestion to Thai authorities to concern about trade creation and trade diversion in every partner. Moreover, economic integration would not provide trade creation, perpetually.

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