

Pornrak Narongrit 2006: Impact of the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area on the International Trade of Thailand. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Mr. Jeerasak Pongpisanupichit, Ph.D. 234 pages. ISBN 974-16-1894-8

According to the Common Effective Preferential Tariff (CEPT) scheme for the ASEAN Free Trade Area, Thailand has reduced the rate of custom duties to members of AFTA since the year 1993 and the rate is expected to be 0% by the year 2010. Hence the AFTA has affected on many aspects of each product. The objectives of this study are 1) to analyze the impact of CEPT scheme on Thailand import expansion from AFTA and 2) to analyze the effect of CEPT scheme on trade creation, trade diversion, and Thailand net welfare by compensation variation and equivalent variation procedures. This study selects fifteen imports and analyze in both the small and large country, responsible to absorb all tax burden and half of tax burden respectively.

The primary result indicates that decreasing of the custom duties regarding the CEPT scheme leads to increasing in the overall importing values but not significant comparing to the actual import values incurred during the year 1995 – 2003. The result however focuses only on a static effect, not a dynamic effect such as economic expansion of Thailand and trade partners and foreign investment. But in the small country case, importing values tends to be much higher. The secondary result reveals that the expanding of imports from AFTA also creates net welfare gains to Thailand, even though there are four products yielding net welfare losses either. In the large country case, net welfare gains incur is more than another case. The major factors that enhance economies of scale are foreign investment and expanding of production network in ASEAN, allowing the members determine price lower than other competitors. In addition, decreasing of custom duties under the CEPT scheme compensates greater trade creating gains over trade diverting losses. The research remarks that the lower the custom duties in Thailand, the higher the net welfare gains – or the lower the net welfare losses. Beside, Thailand should emphasize on abolishing of the import duty taxes of the following products – other paper, paper board and web of cellulose fibre, other articles of aluminium, other parts suitable for use with radio-broadcast receivers or television receivers and other parts and accessories of the motor vehicles - to the members and other countries as well in order that Thailand could maximize the benefit from the establishment of AFTA.

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