

Australia-Thailand Trade: Has the FTA Made a Difference?

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Abstract: This paper examines the impact of the Australia-Thailand free trade agreement (TAFTA) on bilateral trade between the two countries, paying attention to the implications of rules of origins (RoO) and the utilization of tariff preferences. It is found that trade has expanded faster following TAFTA came into effect, but the impact has heavily concentrated in a few product lines in Australian imports from Thailand, reflecting the influence of commodity specific, supply-side factors which have a bearing on the rate of preference utilization. The findings, *inter alia*, suggest that the use of officially announced preference rates in trade flow modeling is likely to exaggerate trade flow effects of FTAs.

Key words: free trade agreement, rules of origin, production fragmentation, Thailand, Australia

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