

Executive Summary

This report is a feasibility study for the Free Trade Agreement (FTA) between Thailand and Turkey. This study can be divided into three parts: trade in goods, trade in service and investment and positions for FTA negotiation and supporting measures. We conduct an assessment on Thailand's competitiveness in goods and services through trade data analysis and value chain analysis. The trade-and-investment-related rules and regulations and past FTAs have been reviewed to deduce Turkey's position in future FTAs. The Global Trade Analysis Project (GTAP) Model is used to study the impact of FTA in both the macroeconomic- and sectoral-level under various scenarios including the influence of the European Union (EU) in this FTA. Also, an assessment on political, social and environmental impact is conducted. Finally, we draw a conclusion whether the Thailand-Turkey FTA is feasible. If so, what would be the scope of this FTA and how should we approach this FTA negotiation?

Part I: Trade in Goods

Trade Relations between Thailand and Turkey and Sectoral Competitive Capabilities

An analysis on trade in goods between Thailand and Turkey shows that in 2013 the exports of Turkey to the Association of Southeast Asian Nations (ASEAN) were less than 1 percent of total exports of Turkey to the world. Turkey's exports to Thailand accounted only 0.15 percent of Turkey's total exports, making Thailand the 83rd world largest exporting destination of Turkey and the 4th largest in ASEAN behind Singapore, Malaysia and Indonesia. Similarly, Turkey's export to Thailand was made up for merely 0.13 percent of Thailand's total imports from the world. On the other hand, ASEAN's exports to Turkey were equivalent to 2.71 percent of Turkey's total imports, of which, 0.52 percent came from Thailand. As a result, Thailand was ranked 35th in the world and 3rd in ASEAN behind Indonesia and Vietnam in terms of export volume to Turkey. Likewise, exports of Thailand to Turkey were only 0.49 percent of Thailand's total exports.

Using Revealed Comparative Advantage (RCA)¹ and Trade Specialization (TSI)² indices calculated from 2013 trade statistics, the matrix below summarizes sectoral competitive

¹ RCA is used to evaluate exports capability of a country by product. RCA compares the share of the country's export of a product to its total exports to the share of the world export of this product to the total world exports. If the former is greater than the latter or RCA is greater than 1, it indicates that the country has competitiveness because it can export better than the world average. A country with higher RCA for a given goods is more likely to be competitive than a country with lower RCA for that goods.

capabilities of the two countries. Organic chemicals (HS 29), Plastics and articles thereof (HS 39), Rubber and articles thereof (HS 40), Machinery, nuclear reactors, boilers, etc (HS 84) and Electrical and electronic equipment (HS 85) were Thailand's most competitive sectors in the Turkish market, three of which (HS 29, 84 and 85) standing out as the sectors with the highest potentials due to Thailand's competitive edge in contrast to Turkey's disadvantaged position. Other sectors such as Vehicles other than railway, tramway (HS 87) were likely to be competitive and needed for an in-depth analysis. Sensitive sectors include Edible fruit, nuts, peel of citrus fruit, melons (HS 08), Carpets and other textile floor coverings (HS 57), Knitted or crocheted fabric (HS 60), Articles of apparel, accessories, knit or crochet and not knit or crochet (HS 61 and 62), Other made textile articles, sets, worn clothing etc. (HS 63) and Furniture, lighting, signs and prefabricated buildings (HS 94).

Sectoral Competitive Capabilities of Thailand and Turkey (2013)

Trade Balance	Sectors that Thailand had comparative disadvantages in but Turkey had comparative advantages in ($RCA_{th}<1$ & $RCA_{tk}>1$)	Sectors that Thailand and Turkey both had comparative disadvantages in ($RCA_{th}<1$ & $RCA_{tk}<1$)	Sectors that Thailand had comparative advantages in but less so than Turkey's ($RCA_{th}>1$ & $RCA_{th}<RCA_{tk}$)	Sectors that Thailand had comparative advantages higher than Turkey's ($RCA_{th}>1$ & $RCA_{th}>RCA_{tk}$)	Sectors that Thailand had comparative advantages in but Turkey had comparative disadvantages in ($RCA_{th}>1$ & $RCA_{tk}<1$)
Sectors Turkey had negative trade balance ($TSI_{tk}<0$)	(8) HS 52, 72, 74 and 76 (15, 28, 32, 51 and 59)	(6) HS 27, 30, 48 and 90 (01, 06, 12, 13, 31, 36, 37, 38, 42, 45, 46, 47, 49, 50, 53, 64, 65, 66, 67, 75, 78, 79, 81, 82, 86, 88, 91, 92, 95, 97 and 99)	(4) 54 and 71 (55 and 83)	(2) Thailand's competitive sectors HS 39 and 40	(1) Thailand's most competitive sectors HS 29, 84 and 85 (10, 23, 33, 35, 41, 44 and 80)
Sectors Turkey had positive trade balance ($TSI_{tk}>0$)	(9) Thailand's Sensitive Sectors HS 08, 57, 60, 61, 62, 63 and 94 (14, 18, 24, 43, 68, 70 and 93)	(7) N/A (02, 04, 05, 09, 22 and 89)	(5) HS 19, 20, 25 and 73 (11, 34, 56, 58, 69 and 96)	(3) HS 87 (03 07 16 17 and 21)	

Source: Fiscal Policy Research Institute (FPRI)

* RCA_{th} denotes RCA of Thailand, RCA_{tk} denotes RCA of Turkey, and TSI_{tk} denotes TSI of Turkey

** HS Code in parenthesis denotes sectors whose trade volume lacks significance (their share of Turkey's total exports and imports to the world is less than 1 percent)

² TSI reflects trade balance of a product and measures the export capability through a country's net exporter status or trade surplus. TSI is usually ranging from -1 to 1. If TSI is greater than 0 for the product, it shows that the country has trade surplus for this product.

Findings from the review of trade related rules and regulations and important issues applicable to the FTA between Turkey and Thailand

The Ministry of Economy of Turkey is the main regulatory body responsible for the conduct and determination of policy in the area of international trade. The most important regulation governing the conditions for international trade is the Foreign Trade Regulation Law No. 2976 of 1984. The rules and regulations adopted by Turkey closely follow the framework of the agreement signed under the WTO. From the review of Turkey's relevant trade-related rules and regulations it was evident that Turkey exercised a high degree of protection in the sector of garments and textiles, automotive and parts, plastic, rubber, and agricultural products. These protection efforts are in the form of one of the following:

Turkey's Protective Measures:

- As a result of the Uruguay Round negotiation, Turkey is obliged to the binding of all kinds of agricultural products and approximately 33.5% of the industrial products. This ultimately resulted in the average MFN rate of 72% on the agricultural products and that of 17.4% on the industrial ones. After the entry into the Customs Unions with the EU, Turkey has adopted the system of tariff preference parallel to that of the EU's. This has, in effect, created a difference in the level of protection exercised by Turkey through the use of tariff between the agricultural and industrial products. For example, the overall MFN rate is averaged at 12.2% in 2011. A careful consideration, however, reveals that the MFN rate applicable on agricultural goods is averaged at 47.9%, which is much higher than the average of industrial products' MFN rate of 4.1%.
- Turkey prohibits the export of 12 types of products for the purpose of environmental protection, sanitary and culture appropriateness. Most of the goods prohibited from exports are agricultural products. At the same time, there are 24 types of products that require export licenses, most of which are agricultural products as well.
- Similarly, Turkey also prohibits the imports of 10 groups of products. Turkey imposes the import quotas on textiles and garments sector as well. This is to align its import regime to that of the EU.
- There are 14 types of products that are required to obtain a permit before entering Turkey. In 2007, Turkey has adopted the system of stamp duty on the importation of alcoholic beverages and tobacco. Furthermore, Turkey has collected fees and charges from the importation of fishery products under HS 02 03 15 16 and 23 and the exportation of raw skins and hazelnuts and has transferred to the Mass Housing Fund (MHF).

- Turkey shall limit the use of technical barriers to trade in order to align the practice in this area to that of the EU. Currently, Turkey has 33,097 standards in place.
- Turkey's standards and conformity assessment and measures must be conformed to that of the EU, while sanitary and phytosanitary should be consistent with the agreements with international organizations.
- The anti-dumping measures adopted by Turkey closely follow the agreement on the same issues under the WTO. The measures have been imposed on 7 types of products from Thailand. Examples of sectors affected by such measures are garments and textiles, metals, plastic, rubber and industrial handicrafts.
- The safeguard measures adopted by Turkey have recently expanded to cover the importation of parts or components into the country. Turkey decided to use the safeguard measures against every country for the following imports: Steam iron, vacuum cleaner, shoes, motorcycle, certain electrical appliances, cotton thread, and matches. Furthermore, Turkey will probably extend the adoption period of the safeguard measures to cover the importation of spectacles, goods for travelling purpose, handbags etc.
- Turkey adopts the identical rules of origin as the EU does. In addition, Turkey is also part of the system of Pan-Euro-Med Cumulation of Origin which allows for the sourcing of raw materials from any countries under the Pan-Euro-Med Partnership Agreement.

Supportive Measures

- Turkey grants trade preference to the third countries and grants Generalised Scheme of Preferences (GSP) to its trade partner in the same way the EU grants to their trade partners. The previous tariff bindings resulted in Turkey's reduction or elimination of tariff on the industrial products falling within HS 25-97 and liberalization in certain types of agricultural or processed agricultural products. Trade preference on agricultural products and non-agricultural products (such as acrylonitrile and compressor) is granted in the form of tariff-rate quotas. Beginning on 1 January 2011 All of Turkey's trade partners, who are eligible for the tariff-rate quotas, are also Turkey's FTA partners.
- The Investment Encouragement Programme (IEP) administered by the Turkish Ministry of Economy aims at inequality reduction in the country. Investment projects which have acquired certificates from the IEP will be qualified for duty exemptions from the importation of machine and equipment for production processes as well as VAT exemptions. This IEP mainly supports export-oriented manufacturers.

- Turkey implements subsidies for 16 lines of agricultural products in order to develop the export capability in the field of processed agricultural products, supported financially by the Export Bank of Turkey.
- Besides, Turkey also grants tariff preferences, tariff exemptions and tariff reductions for investment in the special development areas, R&D, education, and exports of goods and services.

Findings from the comparison between three Turkey's FTA and important issues applicable to the FTA between Turkey and Thailand

The negotiations and, thus, the ratifications of all 3 FTAs between Turkey and its trade partners are governed mainly by the frameworks of the agreements under the World Trade Organization (WTO) and GATT 1994. The frameworks carefully set out practices in dealing with important trade-related issues, for example, establishment of free trade area, agriculture, anti-dumping measures, subsidies and countervailing measures, safeguard measures, customs valuation, sanitary and phytosanitary measures etc. The Parties to each agreement have clearly declared their intention, as stated in the related articles in the FTAs, to align the respective agreement to that of the WTO and GATT 1994 whereby Turkey and all of its trade partners are signatory members of the WTO. The rules and conditions laid out in each of the agreements shall not obstruct the rights and obligations given to each member country of the WTO. Under the agreement between Turkey and Egypt, however, Turkey has adopted the entire section on the list of goods as well as the tariff phase-out period applicable to industrial products originating in Egypt and the rules of origin from the Egypt-EU Association Agreement.

The Harmonized Commodity Description and Coding System is the tariff classification system applicable in all of the FTAs reviewed in this study. The use of identical tariff classification system facilitates in referencing the goods from one agreement to the other. In addition, the use of the Most Favoured Nation (MFN) tariff rates, and in some cases, the lower tariff rates resulted from the WTO negotiations, as the basis/based customs duty rates applicable to the goods covered by the agreement have confirmed the intention of the Parties to align their practices to that of the WTO.

Further analysis of the goods with the protection from Turkey in each of the agreement reveals that different product lines are accorded different treatments and levels of protection. Nevertheless, it is evident that agricultural products are more sensitive and, thus, subject to higher levels of protection.

Under the FTA between Turkey and Egypt, only 27 lines of agricultural products originating in Egypt can enter the Turkish market with tariff preference. However, both Parties agreed to negotiate to achieve further liberalization in the agricultural goods once the agreement came into effect. For the industrial products, on the other hand, Turkey agreed to allow all of the industrial products originating in Egypt to enter the Turkish market duty-free with the exception of the products identified in 4 lists annexed to the agreement. These products will receive gradual elimination of customs duties and by the end of the year 2020 all customs duties on industrial products will be completely eliminated. As for 6 lines of products that are exempted from any tariff preference under the Turkey-Chile FTA, this agreement indeed allows for the gradual tariff reductions and complete elimination of tariff by the year 2014.

Furthermore, Turkey-Egypt FTA reflects the weight of the EU upon Turkey's international trade. This, in turn, is likely to affect the negotiation between Turkey and a country which is also undergoing trade negotiation with the EU. Consequently, the Customs Union between Turkey and the EU should play a major role in the Thailand-Turkey FTA negotiation.

The FTA between Turkey and Chile states that Turkey shall eliminate all customs duties on industrial products originating in Chile, except for 6 product lines under HS4012 (Retreaded or used pneumatic tyres of rubber; tyre treads and tyre flaps) that are not subject to any form of tariff preference under this FTA. For the industrial goods originating in Turkey classified under the code HS 39 and HS 60-62, these products will receive gradual tariff reduction when entering the Chilean markets. On the other hand, Turkey has liberalized only 314 lines of agricultural products originating in Chile while all of the agricultural products originating in Turkey (except for Chile's sensitive products, which will be subject to gradual reductions of tariff and complete elimination of tariff by the year 2017) can enter the Chilean market duty-free.

Under the FTA between Turkey and South Korea, the agricultural products from both countries are faced with considerably high levels of protection. This can be inferred from the proportion of agricultural goods which are subject to some form of tariff preference that only accounts for 52% of total agricultural goods traded between the countries. At the same time, it will take up to 10 years from the date of entry into force of this agreement to fully liberalize trade in agricultural products. The industrial products received somewhat different form of tariff preference and level of protection. Tariffs on the products under HS 39 will be gradually reduced and completely eliminated at the end of year 6 from the date of entry into force of this agreement. Tariffs on the products under HS40 will be gradually reduced

and completely eliminated at the end of year 4 from the date of entry into force of this agreement. The products falling within the code HS57-63 will be subject to gradual tariff reductions and complete elimination at the end of year 8 from the date of entry into force of this agreement. In the same way, the products falling within the code HS87 will be subject to gradual tariff reductions and complete elimination at the end of year 8 from the date of entry into force of this agreement.

Moreover, the FTA between Turkey and Egypt also reflects the influence of the EU on the Turkish international trade system. This stance will certainly affect the negotiation between Turkey and its trade partner, which is also negotiating the free trade agreement with the EU concurrently. Therefore, the Customs Union between Turkey and European Union certainly has an influence on the direction and strategic actions undertaken by Turkey.

Conclusion on the overall structure and important remarks from Turkey-Egypt FTA

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
-The Free Trade Agreement between Turkey and Egypt was signed on 27 December 2005 and entered into force on 1 March 2007. - The Agreement closely linked to the EU	- Turkey agreed to remove all import customs duties on industrial products originating in Egypt from the date of entry into force of the Agreement. - Egypt agreed to gradually	- The Agreement covers the elimination of quantitative restrictions on imports - The Agreement covers the elimination of quantitative restrictions on exports	- Turkey agreed to remove customs duties on imports of 17 lines of agricultural products originating in Egypt. The majority of these products are primary agricultural products	- The Parties shall not apply the sanitary and phytosanitary measures as an arbitrary, unjustifiable discrimination, or disguised restriction. -The sanitary and phytosanitary measures applied in the Agreement shall be within the	- The Agreement permits a special type of Cumulative Rules of Origin, which is Diagonal Cumulation, which allows materials originating in the third country ³ within the Euro-Med Partnership to be incorporated into the	-Many aspects of the Agreement resemble the framework applied within the European Union context. In effect, the rules of origin applied in this Agreement are identical to the rules of origin applied in other agreement negotiated within the context of the

³ The third countries listed in the agreement include European Union member states, European Free Trade Association member states (Iceland, Liechtenstein, Norway, and Switzerland), Turkey and Barcelona Convention members (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, Palestine, Gaza strip and Faroe Islands).

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
through EU Association Agreement signed in accordance with the Euro-Med Partnership	remove customs duties on imports of industrial products originating in Turkey. Almost all customs duties on industrial products originating in Turkey will be completely removed by 2017; however, the remaining 23 lines of products, mostly vehicles and generators, will gain duty free access into Egypt by 2020.		including root vegetables for example, potatoes, cabbages, carrots, herbs and spices that are widely popular in the Egyptian and Turkish cuisine as well as main Egyptian fruits. - Egypt agreed to remove customs duties on imports of 10 lines of agricultural products originating in Turkey. The majority of these products are nuts, fruits, and processed agricultural	rules and procedures of the GATT 1994 and other relevant WTO agreements.	products obtained in the territories of the Parties to the Agreement. - The rules include Wholly Obtained or Substantial Transformation, most of agricultural and fishery products will use the wholly obtained rule. - For Substantial Transformation, the agreement contains a list of operations that are considered as conferring origin to a non-originating raw material for all products. Those operations might involve one or a combination of the following types of criteria • A minimum percentage of value-added that has taken	Euro-Med Partnership. - Turkey agreed to allow duty free access of industrial products originating in Egypt from the date the Agreement came into effect. Thus, there is no industrial good originating in Egypt which is protected from entering the Turkish markets under the Turkey-Egypt FTA. - Egypt agreed to allow gradual duty free access to industrial products originating in Turkey in which the process will be completed by 2020 in which all Turkish industrial products will enter Egyptian markets duty

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
			products derived from these plants in the form of extracted oil and dried fruits.		<p>place in the parties</p> <ul style="list-style-type: none"> • A specific process that must have taken place in the parties • Restrictions stating that specific inputs must be wholly obtained in the parties • Change of tariff heading. 	<p>free.</p> <ul style="list-style-type: none"> - The Agreement does not emphasize the liberalization of agricultural products whereby most of the agricultural products traded between Turkey and Egypt are still protected as only 18 lines of agricultural products originating in Turkey and 27 lines of agricultural products originating in Egypt are subject to reciprocal concessions granted under this Agreement. Nonetheless, the Parties agreed to discuss further liberalization of agricultural trade in the future. - Egypt has more favorable

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
						<p>access of agricultural products to Turkish market.</p> <p>- The rules of origin applied in the Agreement create opportunities for Turkey, Egypt as well as other Euro-Med countries through the exploitation of each country's comparative advantages. The partner countries are able to source inputs into the production process from bigger markets and at lower costs. These will, in turn, increase the competitiveness of countries under the system of diagonal cumulation of origin, including Turkey and Egypt.</p>

Conclusion on the overall structure and important remarks from Turkey-Chile FTA

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
<p>-Chile was the first Latin American country to successfully sign the Free Trade Agreement with Turkey.</p> <p>-The Free Trade Agreement between Turkey and Chile was signed on 14 July 2009 and entered into force on 1 March 2011.</p>	<p>- Turkey agreed to remove all customs duties on imports of industrial products originating in Chile from the date of entry into force of this Agreement. However, 6 lines of industrial products, all of which fall under HS Code 4012, originating in Chile is not subject to concessions granted in the Agreement.</p> <p>- Chile agreed to gradually remove all customs duties on imports of industrial</p>	<p>-The Agreement contains the Article stating that parties may not adopt or maintain any prohibition or restriction on the importation of any good of the other Party or the exportation of any good destined for the other Party as well as the Article on other trade-related areas including standards, technical regulations, and intellectual property also apply</p>	<p>- Turkey agreed to remove or reduce customs duties on agricultural products originating in Chile totaled to 314 lines of products. Of these agricultural products, 229 lines are granted 100 percent reduction from MFN duties and 85 lines are granted 50 percent reduction from MFN duties.</p> <p>- Chile identified 162 lines of highly sensitive agricultural products which are not subject to any form of</p>	<p>- Similar to the industrial products, the Article stating that parties may not adopt or maintain any prohibition or restriction on the importation of any good of the other Party or the exportation of any good destined for the other Party also applies to agricultural products originating in the territories of both Parties.</p> <p>- Chile is permitted</p>	<p>- The Agreement permits Bilateral Cumulation of Origin between the Parties, that is, materials originating in Turkey (Chile) will be considered as materials originating in Chile (Turkey) when incorporated into a product obtained in Chile (Turkey).</p> <p>- The rules include Wholly Obtained or Substantial Transformation, most of agricultural and fishery products will use the wholly obtained rule.</p> <p>- For Substantial Transformation, the agreement contains a list of operations that are</p>	<p>- Turkey agreed to allow duty free access of industrial products originating in Chile immediately after the Agreement came into effect. (Except 6 lines of products under the HS code 4012) Under this Agreement, therefore, there is no industrial good originating in Chile which is considered sensitive by Turkey and protected from entering the Turkish markets.</p> <p>- Chile agreed to gradually allow duty free access of industrial products originating in Turkey whereby the process will be completed within 6 years after the Agreement enter into force in</p>

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
	<p>products originating in Turkey within 4 years after the date of entry into force of the Agreement (or by 1 January 2015), except 6 lines of industrial products falling under the HS Code 4012 originating in Turkey are not subject to the concessions.</p>	<p>to industrial products.</p>	<p>concession in this Agreement. The majority of these highly sensitive agricultural products are meat and other edible organ, milk and cream, and sugar. The customs duties on 37 lines of agricultural products (listed in Table B of Annex IV) covered by the Agreement will be gradually removed within 6 years after the entry into force of this Agreement (or by 1 January 2017).</p>	<p>to maintain the Price Band System provided that such system is applied consistent with Chile's rights and obligations under the WTO Agreement and does not afford more favorable treatment to imports of any third country.</p>	<p>considered as conferring origin to a non-originating raw material for all products. Those operations might involve one or a combination of the following types of criteria</p> <ul style="list-style-type: none"> • A specific process that must have taken place in the parties • Restrictions stating that specific inputs must be wholly obtained in the parties 	<p>which all industrial products originating in Turkey will enter the Chilean market duty free. (Except 6 lines of products under the HS code 4012)</p> <ul style="list-style-type: none"> - Each Party to this Agreement has 6 lines of industrial products that are not subject to concessions stated in the Agreement. - Overall, Turkey has greater lines of protected agricultural products. - The rules of origin applied in this Agreement permits bilateral cumulation of origin which creates opportunities for intra-industry trade and investment expansion between the Parties to the Agreement.

**Conclusion on the overall structure and important remarks from
Turkey-South Korea FTA**

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
<p>- South Korea became the first and only Asian country to successfully negotiate and sign the Free Trade Agreement with Turkey</p> <p>-The Free Trade Agreement between Turkey and South Korea was signed on 1 August 2012 and came into effect on 1 May 2013.</p> <p>- The Agreement covers a wide range of trade-related areas, comprising of (1) the framework for establishing Free Trade Area (2) trade in goods and (3) trade in services and investment</p>	<p>-Turkey and South Korea agreed to gradually remove customs duties in trade between the Parties within 7 years after the entry into force of the Agreement (or within the year 2020). Except for garment and textiles, steel and aluminium, motor vehicles, and some other groups of products which will be subject to gradual customs duties elimination,</p>	<p>- The Agreement contains Articles on Technical Barriers to Trade (TBT) by ensuring the Parties' rights and obligations under the WTO Technical Barriers to Trade Agreement.</p>	<p>- Within 10 years after the date in which the Agreement came into effect (or within the year 2023), the Parties agreed to gradually remove customs duties on over 52 percent of the agricultural products traded between them, including significant agricultural products originating in Turkey, for example, nuts, tobacco, raisins, wheat flour and sugar, and significant</p>	<p>- The Agreement contains Articles on Sanitary and Phytosanitary Measures (SPS) by ensuring the Parties' rights and obligations under the WTO SPS Agreement.</p>	<p>- The Agreement applies identical rules of origin to both Parties in which the product shall be considered originating product if it satisfied the "Wholly Obtained" conditions or "Sufficient Working or Processing" conditions lay down in the Agreement.</p> <p>- Most of agricultural and fishery products use the wholly obtained rule.</p> <p>- For Substantial Transformation, the agreement contains a list of operations that are considered as conferring origin to a non-</p>	<p>- The Parties agreed to remove customs duties on all traded industrial products within 7 years after the entry into force of the Agreement.</p> <p>- Turkey permits a more favorable market access for agricultural products originating in South Korea than in Chile or Egypt, given the number of tariff lines in the three agreements Turkey agreed to remove customs duties.</p> <p>- The sensitive agricultural products</p>

Overall Structure	Industrial Products		Agricultural Products		Rules of Origin	Important Remarks
	Tariff Barriers	Non-Tariff Barriers	Tariff Barriers	Non-Tariff Barriers		
(during negotiation) - The Agreement covers trade-related issues including intellectual property right protection, technology transfer, human resources development, competition policy and sustainable trade development.	the majority of industrial products will be traded between Parties duty free from the date of entry into force of the Agreement.		Agricultural products originating in South Korea, for example, Kimchi.		originating raw material for all products. Those operations might involve one or a combination of the following types of criteria <ul style="list-style-type: none"> • A specific process that must have taken place in the parties • Restrictions stating that specific inputs must be wholly obtained in the parties 	originating in Turkey include meat and organs, yoghurt, cheese, eggs, flower bouquet, potatoes, tomatoes, onions, garlic, chilies, cassavas, nuts, fruits, sugar etc. Turkey does not allow tariffs reduction for South Korea in these sensitive goods.

The Impact of Thailand-Turkey Free Trade Agreement

This report studies the impact of Thailand-Turkey FTA using two frameworks: 1) The potential assessment of Thai and Turkey goods through Revealed Comparative Advantage (RCA) and Trade Specialization Index (TSI) and 2) the impact analysis using the Global Trade Analysis Project (GTAP) model. This first framework compares potential of goods through export capability and the second one employs the model to analyze economic effects in macro- and key groups of product/sectoral- levels along with socio-economic factors under various scenarios. Furthermore, this report would utilize results from both analyses to identify winners and losers from the Thailand-Turkey FTA.

Potential Assessment of Thai and Turkish goods (RCA/TSI)

Based on bilateral trade data between Thailand and Turkey, we find that the size of the bilateral trade between the two countries was rather small. ASEAN and Thailand depended more on Turkish market and not vice versa. The export value of Turkey to ASEAN was smaller than 1 percent of the value of Turkey's total trade. At the same time, the exports of Turkey to Thailand accounted for only 0.15% of total Turkey export to the world or ranked 83th globally and 4th in ASEAN, behind Singapore, Malaysia and Indonesia. On the other hand, in terms of value, ASEAN's exports to Turkey was 2.71% of Turkey's total imports, where share of Thailand's export to Turkey was only 0.52% of Turkey's total imports – ranked 35th in the world and 3rd in ASEAN after Indonesia and Vietnam. That is why Thailand-Turkey FTA would be more likely to benefit Thailand as an exporter to enter new markets in Turkey.

Moreover, the results of RCA and TSI analysis of both countries reveal Thailand's potential and sensitive goods. The potential goods of Thailand with sizable trade volume are those in HS 29, 39, 40, 84 and 85 (highest potential in HS 29, 84 and 85) and the moderately potential goods with sizable trade volume are HS 54, 71 and 87. By contrast, sensitive goods with large trade volume can be found in HS 08, 57, 60, 61, 62, 63 and 94. Together with GTAP results, a conclusion can be drawn on the positive and negative impacts of the Thailand-Turkey FTA on Thailand. To do so, this study will select three of possible winners and three of possible losers for further in-depth study of value chain analysis.

According to a comparison of competitiveness or potential of products between Thailand and Turkey in 2013, the report does not find any evidences of trade diversion. Thailand had positive net exports with Turkey in many competitive products. Therefore, a key issue is about expanding trade volume between the two countries to increase market share of Thai goods in Turkey, especially for the goods whose export share to Turkey was smaller than its export share to the world – such as HS 84.

Summary of RCA and TSI results by HS Code

Product Groups	Thailand's trade deficit with Turkey & Import share from Turkey greater than from the world	Thailand's trade deficit with Turkey & Import share from Turkey less than from the world	Thailand's trade surplus with Turkey & export share to Turkey less than to the world	Thailand's trade surplus with Turkey & export share to Turkey greater than to the world
Highest Potential			HS 84 (41 and 80)	HS 29 and 85 (10, 23, 33, 35 and 44)
Potential			HS 39, 40	
Moderate Potential	(17)		HS54 87 (55 and 21)	HS 71 (83, 03, 07 and 16)
Sensitive	HS 08, 61, 62 and 63 (43 and 93)	(18)	HS 94 (14, 68 and 70)	HS 57 and 60 (24)

Source: FPRI

Note: * HS Code in parentheses indicates goods with insignificant trade volume (the shares of imports and exports are less than 1 % of total imports and exports of Turkey respectively).

Impact Analysis from Global Trade Analysis Project (GTAP) Model

GTAP analysis is based on economic structure of two countries in 2007, which is the latest available database. The study considered the three possible scenarios of Thailand-Turkey FTA: 1) Thailand-Turkey FTA follows previous FTAs (Most Likely), 2) Thailand and Turkey agree to have free trade in goods and lower trade in service barriers by 20% (Ambitious) and 3) Thailand and Turkey agree to have free trade in goods and lower trade in service barriers by 40%. The first scenario would be divided into three cases, corresponding to Turkey-Egypt, Turkey-Chile and Turkey-South Korea FTAs⁴.

The impact analyses from all scenarios result in the same direction and are not varied much. Overall, Thai economy would expand by 0.02-0.04% while the Turkish economy would grow at the rate of 0.00-0.02%. Both countries would expect an increase in exports, but Turkey's exports would rise at the higher rate. The change of imports in both

⁴ Three cases consist of (1) Thailand and Turkey agree to follow previous FTAs (Likely Scenario), which can be further broken down into 3 scenarios based on previous FTAs of Turkey and other countries: (1.1) Turkey and Egypt (1.2) Turkey and Chile and (1.3) Turkey and South Korea (2) Thailand and Turkey agree to have free trade in goods and lower trade barriers by 20% (Ambitious Scenario) and (3) Thailand and Turkey agree to have free trade in goods and lower trade barriers by 40% (Extreme Scenario). Since GTAP shows that ad valorem equivalent of service sector between Thailand and Turkey is equal to 0%, the results from the scenario (2) and scenario (3) would be identical. This study would report only the results from 4 scenarios, namely (1.1), (1.2), (1.3) and (2).

countries would be quite similar, growing by approximately 0.03-0.06%. However, Thai and Turkish imports would outpace their exports, resulting in slightly trade deficit in both countries. The FTA would generate new jobs and would increase employment by 0.02-0.05% along with better welfare in Thailand. The employment in Turkey would increase by lesser degree and so as the country welfare. Furthermore, lower trade barriers in services would benefit both Thailand and Turkey, but Turkey would gain more than Thailand would.

The sectoral analysis of Thailand's economy indicates that rising sectors (sectors with increasing value added) from Thailand-Turkey FTA would be cotton and other textile fibers (HS 52 and 53), wool and silk (HS 50 and 51), textiles (HS 57-59) and auto and parts (HS 87). The declining sectors would be canes (HS 17), sugar (HS 17), wood products – furniture (HS 94), transportation (HS 86, 88, and 89), electronics (HS 85) and machinery and equipment (HS 84). For Turkey, garments (HS 61-63), transportation (HS 86, 88 and 89), sugar (HS 17) and wood products – furniture (HS 94) would be rising sectors. The declining sectors included rice (HS 10) and milled rice (HS 11). As a result, Thailand-Turkey FTA would result in a trade-off in sensitive sectors between the two countries or not include these products in the FTA from the beginning.

The Role of the European Union in Free Trade Agreement Negotiations

Since Thailand is actively in the process of FTA agreement negotiation with the EU and since Turkey has a profound economic tie with the EU in form of a Customs Union, it is necessary to study the role of the EU in the Thailand-Turkey FTA negotiation by reviewing the Custom Union Agreement between Turkey and the EU and utilizing GTAP model to analyze an impact of Thailand-Turkey FTA and Thailand-EU FTA.

Customs Union Turkey and the EU

- Overall, the Customs Union Agreement between Turkey and the EU clearly reflects that the direction of the economic and social relationship development of both Parties would be more intimate. The key trade rules and regulations of the EU were introduced in the Customs Union Agreement between Turkey and the EU, given that Turkey must adjust its relevant rules and regulations to compile with those of the EU within an agreed timeframe.
- This agreement mainly covers goods and tariff- and non-tariff barriers. For service sectors, the agreement only set a guideline for government procurement negotiation. Both Parties continue to protect their agricultural sector and started to negotiate on processed agricultural products only.

- Rules of origin in this agreement were based on Wholly-Obtained and Product-Specific Rules (PSR). In addition, it allows for Diagonal Cumulation, which enabled a better usage of raw materials, originating in member countries of the Customs Union, and promotion of free movement of goods.
- Therefore, during our negotiation with Turkey, we expect that Turkey would definitely protect its agricultural sector and would not liberalize this sector further than it did with the case of the Customs Union between Turkey and the EU. On the other hand, industrial goods would be less protected. In any cases, rules and regulations of Turkey should be consistent with those of the EU, as shown on the Customs Union Agreement. In addition to agricultural products, the EU is keen to protect its textiles and garments and auto sectors.

Effects of Free Trade between Thailand and Turkey and between Thailand and the European Union

- Since the process of Thailand-Turkey FTA negotiation is overlapped with that of Thailand-EU FTA and Turkey and the EU have established the Customs Union, we will study the impacts of both FTAs together, using the GTAP model. The setup of the model includes 5 possible cases of the likelihood of both FTAs and the order of FTA completion. For each case, there are five different levels of agricultural sector liberalization, except the case that Thailand failing to sign FTAs with both Turkey and the EU, where there is only one scenario.
- The study revealed that Thailand would gain most from the FTAs with Turkey and the EU, while the EU would be next largest beneficiary. In contrast, Turkey would hardly benefit from these FTAs. If Thailand were to sign only FTA with Turkey, Thailand would gain much less from the case of signing both FTAs. The sectoral impact indicates that Thai industry goods would benefit most, while the remaining sectors, especially for agro-industry goods had adverse effects. The EU shows a similar pattern as Thailand does, but at smaller magnitude. On the contrary, Turkey's agro-industry goods would gain most and other sectors would practically be unchanged.
- The order of FTA completion would not matter for Thailand, Turkey and EU. Moreover, EU appeared to be better off from its protection policy on agricultural products. Obviously, its agricultural goods would benefit most under the protection policy.
- In the case that Thailand fails to reach FTAs with Turkey and the EU, but Turkey-Malaysia FTA taking place, the impact of these developments on Thailand would be minimal.

- The results of the GTAP model suggest that Thailand would benefit most from free trade with Turkey and EU, especially for industry goods. At the same time, we must provide supporting measures for other sectors so that they could adapt to new environment. Therefore, agricultural sector would be key factor for the negotiation with Turkey.

Value Chain Analysis for Industry

The liberalization of trade and investment and IT advancement has induced a change in the structure of production processes into a production network, which allocates production activities to location with lower production costs and better access to the market. Therefore, a value chain framework, which investigates the linkages between players in each production activities with different competencies and value-added generated, has become very useful in formulating a strategy for the development of Thailand's production sectors and taking a stance in the future FTA negotiations.

Referring to the analysis on competitiveness capability of individual goods from Thailand and Turkey using Revealed Comparative Advantage (RCA) and Trade Specialization Index (TSI) in the level of 2, 4 and 6 digits and outcomes of GTAP mode, the value chain analysis centers on the selected industries as follows:

Positively Affected Sectors:

- **Auto tires:** This industry's activities consist of raw material and component procurement, production, sales and marketing. The study shows that there exists complementary relationship in all activities. Thailand is more competitive in rubber latex and smoke sheets and tires for motor car, motorcycles, and aircrafts. By contrast, Turkey has more advantages in cord fabric made from synthetic fiber and herring bone tires for trucks
- **Upstream petrochemicals (Olefin chain):** This industry requires very large size of investment and needs to be in a close proximity of raw material sources due to very high cost of transportation. Main activities include exploring and producing oil and gas, refinery and gas separation and upstream petrochemicals, which is closely tied to mid-stream petrochemicals and plastic and products. The exploring activity that demands highest-level of technology is usually performed by foreign firms, while production technology has already been matured. The lead firms in this industry are Thai firms, which engage in both petroleum and petrochemical industries. Our study shows that

complementarity is found in intermediate and downstream more and Thailand has advantages over Turkey.

- **Auto and auto parts:** This industry consists of main production activities like R&D, design, raw materials procurement, parts production, car assembly, logistics, sales, marketing and after-sales service. The activities from raw materials procurement and part production can be found in Thailand, which is a key auto cluster in this region. The lead firms, which usually govern the value chain, are usually car makers, especially Japanese ones, while Thai producers are mostly tier-2 and tier-3 suppliers. According to the analysis of complementarity/ competition of Thailand's and Turkey's value chain, Thai and Turkish goods are both complement and competing in motor vehicles and parts. For motor vehicles, complementarity is found in motorcycles, while competition is observed in cars (not exceeding 1500 cc) and trucks (not exceeding 5 tons). As for parts, steering wheels, airbags, radiators, mufflers and exhausting pipes are complement, while wheels and safety belts are competing

Adversely Affected Sectors:

- **Wooden furniture:** This chain starts with forestry, sawmill, design, furniture production, logistics, sales and marketing. The lead firms are mostly foreign firms, which are capable of design, marketing and sales, while Thai companies are mainly concentrated in raw materials procurement, sawmill and production. The analysis shows that complementarity is found in raw materials, parts and finished products. Thailand has an edge in the preparation of wood, but Turkey is comparable or better in the areas of parts and finished products.
- **Textiles and garments (Cotton):** Key activities are as follows: R&D, design, fiber production, weaving, tailoring, logistics, sales and marketing. The lead firms in this industry are usually foreign brand owners, who have capability in design, marketing and sales. Fiber production is another area, which demands R&D and high technology, especially for synthetic fibers. Thai firms are normally in weaving and tailoring, which have lower value added. The results indicate that there exists complementarity throughout the value chain and Turkey is better off. However, Thailand has advantage in synthetic fibers and brassieres.
- **Cable (Telecommunication):** This sector has the following key activities: mining, copper wire and insulation production, wire and cable manufacturing, sales and marketing. Both countries have no potential in mining. Complementary relationship is found in copper wire and insulation production and wire and cable manufacturing and Thailand was more competitive in insulation only. However, competing relationship is evidenced in ignition wire used in vehicles.

Part II: Trade in Services and Investment

Trade Relations between Thailand and Turkey and Sectoral Competitive Capabilities

The study of trade in services in this section follows the same framework of the analysis on products. However, because of the limitation in the trade data available, the services for the analysis consist of 12 sectors according to BMP6⁵. In 2013, Thailand's exports in services were ranked 23rd in the world (1.12% of world services exports), as its exports in services posted Millions U.S. 58,642 in value, which was slightly greater than Turkey's services exports of Millions U.S. 47,159 in the same year, as ranked 28th in the world. Overall, Turkey's economy did not heavily rely on services exports as the share of its services exports was 5.73% of the GDP in 2013, comparing to 15.14% in the case of Thailand. For service imports, in 2013 Turkey posed the value of services imports Millions U.S. 24,306, which was 0.52% of world services imports (ranked 36th in the world). In the same year, Thailand imported Millions U.S. 54,890 of services, which were ranked 27th in the world. Nevertheless, both travel and transportation services were important to the two countries.

Both Inflow and outflow foreign direct investments in Turkey had highly fluctuated over the years 2008-2013. However, the inflow foreign direct investment remarkably outweighed the outflow foreign direct investment in 2013, resulting in the net inflow of Millions U.S. 9,298, which decreased by 8% from the previous year. In the case of Thailand, foreign direct investments had also fluctuated, but presented an increasing trend over the same period. Interestingly, the size of Thailand's outflow foreign direct investment has become comparable to that of Thailand's inflow foreign direct investment since 2009. Most investments in Turkey were involved finance and insurance, followed by machinery and electronics and drinks and tobacco while investment in Thailand focuses on manufacturing products, followed by finance and insurance and activities involving real estate. Moreover, investors from Europe and Japan posed the biggest investment shares in Turkey and Thailand respectively, signifying their important roles in the value chains of Turkey and Thailand. Furthermore, China has emerged as a major investor in Thailand.

The results from service competitiveness analysis suggested by RCA and TSI indicate that Thailand is likely to have comparative advantages in travel service in Turkey, while Thailand's sensitive sectors in Turkey services market or Turkey's more competitive sectors are transportation, construction, and personal, cultural, and recreational service.

⁵ BMP6 refers to *Balance of Payments Manual, the 6th edition, International Monetary Fund: IMF*

Service Competitiveness of Thailand and Turkey

Trade Balance Perspective	Exporting Perspective				
	Sectors that Thailand had comparative disadvantages in but Turkey had comparative advantages in (RCAth<1 and RCAtk>1)	Sectors that Thailand and Turkey both had comparative disadvantages in (RCAth<1 and RCAtk<1)	Sectors that Thailand had comparative advantages in but less so than Turkey's (RCAth>1 but RCAth<RCAtk)	Sectors that Thailand had comparative advantages higher than Turkey's (RCAth>1 and RCAth>RCAtk)	Sectors that Thailand had comparative advantages in but Turkey had comparative disadvantages in (RCAth>1 and RCAtk<1)
Sectors Turkey had negative trade balance (TSItk<0)	(8) Government goods and services	(6) Insurance and pension services, financial services and other services	(4) None	(2) Thailand's competitive sectors None	(1) Thailand's most competitive sectors None
Sectors Turkey had positive trade balance (TSItk>0)	(9) Thailand's Sensitive Sectors Transportation, construction, and personal, cultural, and recreational services	(7) Telecommunications, computer, and information services	(5) Healthcare	(3) Travel	

Source: Fiscal Policy Research Institute (FPRI)

Note: 1) RCAth denotes RCA of Thailand, RCAtk denotes RCA of Turkey, and TSItk denotes TSI of Turkey.

2) "None" indicates that there is no service sector relevant to selected category.

Findings from the review of trade related rules and regulations and important issues applicable to the FTA between Turkey and Thailand

Issues	Details	Hints from Trade and Investment Liberalization
Overall	<ul style="list-style-type: none"> Rules and regulations related to trade in services and investment for the preparation of the free trade agreement in services and investment. 	
Investment regulations	<ul style="list-style-type: none"> Laws related to foreign direct investment including Foreign Direct Investment Law No. 4875 (2003) A foreign-owned enterprise (100%) is able to run the business in almost all sectors except the activities governed rules and regulations.⁶ 	<ul style="list-style-type: none"> Presently, Thai laws do not allow for 100% foreign ownership, even though the nomination is common. Hence, trade liberalization still holds some exceptions just like what happens in Turkey. However, investment in Turkey should be in the form of business partnership with Turkish for the sake of the business itself (though this is not legal requirement).
Special Economic Zone (Trade tax area)	<ul style="list-style-type: none"> There are 19 special economic zones presently under the law titled “Free zones Law No. 3219 (1985)” and “The Free Zones regulations (1993)” on the basis of cooperation between government and private sector. Privileges or financial incentives as well as tax benefit include customs and other taxes, corporate income tax, value-added tax, and tax on profit from exporting aboard. However, there is an exclusion on privilege received from establishing date by imposing that investors in special economic zone received certificate after February 6, 2004 are not eligible for tax exclusion but tenants still get the benefit under their certificate which they have to pay tax since 2009. 	<ul style="list-style-type: none"> Thailand should take an advantage of these free zones while establishing this kind of free zones in order to facilitate the administration. Moreover, Thailand should adopt some supportive measures for investment in Turkey so that Thai entrepreneurs will be able to compete with Turkey and use the country as the gateway to its regional neighbors.

⁶ The protected sectors include telecommunication, transportation by air and sea, postal services, fishing, audit service, financial services, petroleum, mining, real estate, electricity, education service, and employment agencies.

Issues	Details	Hints from Trade and Investment Liberalization
	<ul style="list-style-type: none"> Industry, trade, services in special economic zone have to be considered by the Supreme Planning Board. 	
TRIMS	<ul style="list-style-type: none"> On November 2, 2005, the U.S. appealed to WTO that Turkey placed quantitative measure or “Quota” on the U.S. rice, which violated TRIMs. In this case, Turkey imposed the use of import license and tariff-rate quota, where Turkey set the fixed quota on it and diminishing tariff rate. Australia and Thailand were invited as the third party for this case. On September 21, 2008, WTO ruled that Turkey indeed violated the TRIMs. After the negotiation between Turkey and the U.S., Turkey agreed to follow WTO’s ruling by April 22, 2009 and abolished these quantitative measures afterwards. 	<ul style="list-style-type: none"> Thailand should pay attention to the similar measures. Furthermore, Thailand should prepare itself for the similar complaints in the area of agriculture that Thailand would like to protect. Moreover, Thailand should focus on the development of competitiveness capabilities of Thai farmers. The country needs to be prepared for the industrial products as well.
Regulation related Service sector	<p>Tourism</p> <ul style="list-style-type: none"> Governed by Ministry of Culture and Tourism Target = 60 billion U.S. dollar for revenue and 60 million tourists by 2023 Laws related this field is Law for the Encouragement of Tourism, section 2634 about certificate from Ministry of Culture and tourism, section 1319 about tax benefit in tourism sector, and Tourism Incentive Law Regulations including tax exclusion in goods related to local products or domestically produced product, cash incentive regulation in supporting fund of employers, tax deduction for imposed sector, and other supporting regulations in 6 special zones. 	<ul style="list-style-type: none"> The tourism sector in Turkey is strong. Turkish Government has earnestly adopted a lot of measures to support this industry. This benefits Thai investors who can have access to this market which bears significant number of European, Russian, and Central Asian tourists. On the other hand, Turkey is also a Thai competitor since it is a highly attractive tourist destination. Therefore, Thailand needs to provide some supportive measures for this sector as well as human resources to serve the tourists from various countries enforce the law and regulate both Thai and foreign entrepreneurs effectively.

Issues	Details	Hints from Trade and Investment Liberalization
	<p><i>Medical Tourism</i></p> <ul style="list-style-type: none"> ● Regulations including market access, supportive measures for doing business aboard, consultancy support, and establishing branch of related agencies aboard. 	<ul style="list-style-type: none"> ● In the field of medical tourism, Thai investors should establish the partnership with Turkish as well as a network to pull in the customers.
	<p><i>Transportation</i></p> <ul style="list-style-type: none"> ● Transportation by sea <ul style="list-style-type: none"> - Organization = General Directorate of the Turkish Maritime Organization and The Turkish State Railways - Laws section 815, Ports Law No. 618, International Convention on Standard of Training, Certification, Watch keeping for Seafarers of 1978, The Turkish National Trip Registry and The Turkish International Ship Registry ● Transportation by land <ul style="list-style-type: none"> - Organizations = The Ministry of Transport, Maritime and Communications which responsible for safety, goods transportation, agencies, and cargo. Also, there is the General Directorate of Highways which governs construction, maintenance, and other related to road, rail. - Investment in land transportation = private enterprise can invest in land transportation. ● Transportation by air <ul style="list-style-type: none"> - National airline: Turkish Airlines - Organization: The General Directorate of State Airports Authority which governs airport and The Turkish Aeronautical Information Publication which governs route. 	<ul style="list-style-type: none"> ● Our logistics sector is less competitive, especially for sea and air logistics, which are highly liberalized. Therefore, to open the corridor, we need to reconsider about the profit and loss. Logistics by land seems to be much more difficult to invest. Nonetheless, infrastructure development needs to be developed for increasing our competitive advantages to invest in Turkey effectively

Issues	Details	Hints from Trade and Investment Liberalization
	<p>Government Procurement</p> <ul style="list-style-type: none"> ● Important laws are The Public Procurement Law No. 4734, The Public Procurement Contracts Law No. 4735 and The Law on Public Procurement Contracts Law No. 5812 as well as subsections of 53 and 63 ● There are 3 steps for government provision ● Organization = government provision's committee 	<ul style="list-style-type: none"> ● The public procurement procedure of Turkey is close to EU's standard, so it is more transparent than Thailand's is. Therefore, Thailand is required to improve this system if it wants to pursue investment liberalization.
	<p>Competition policy</p> <ul style="list-style-type: none"> - Law = The Law on the Protection of Competition No. 4054 and law section 5728 - Organization = competition policy's committee 	<ul style="list-style-type: none"> - Like government procurement, Turkish competition policy is close to EU's standard while Thailand is still troubled with the enforcement.
	<p>Intellectual property</p> <ul style="list-style-type: none"> - Law = intellectual property law on art, film, trade mark, medicine and others which is governed by WTO - International agreement = WIPO Copyright Treaty - Organizations = Directorate General, institution about patent, Department of food, agriculture, livestock, custom office, department of justice, The Intellectual and Industrial Property Coordination Board and intellectual property court. 	<ul style="list-style-type: none"> - Currently, Thailand's stand in trade negotiations is under the TRIPS framework which is a minimum international standard. However, Thailand still has some limitation on accepting higher standards since it has problems in several sectors, for example, low chance to access expensive medicines.
	<p>Electronic commerce</p> <ul style="list-style-type: none"> - Laws = The Regulation on Bank Cards and Credit Cards, Law on the Protection of the Consumer No. 4077, Regulation on Distance Contracts, Law on the Protection of Consumer No. 6502 	<ul style="list-style-type: none"> - Thailand still needs to develop the readiness in the parts of data protection and consumer protection.
	<p>Labor</p> <ul style="list-style-type: none"> - Related regulation is to impose that employers have to pay 25 percent of their income to be pension, government has to provide funds for life insurance and the disabled, women employer and other 	<ul style="list-style-type: none"> - Thailand does not have this kind of issue, but it should be rather concerned with foreign labor problem.

Issues	Details	Hints from Trade and Investment Liberalization
	<p>Environment</p> <ul style="list-style-type: none"> - Law = Environmental Law, Environmental Impact Assessment Regulation, Environmental Permits and Licenses Regulation, Regulation Concerning the Workplace Opening and Operating License and Waste Management General Principles Regulation 	<ul style="list-style-type: none"> - Thailand does not have this kind of issue except in the case of enforcement.

Value Chain Analysis for Services

Based on the above services competitiveness analysis, this study focuses on travel and transportation sectors as Thailand’s potential and sensitive sectors respectively. This section examines their value chains and determines whether the overall trades in both sectors turn out to be competing or complementary. Referring to transportation sector, the analysis will cover only ground and air transportation since both countries present no competitiveness in other mode of transportation.

- **Travel Sector:** The value chain of this sector is composed of many activities including tour planner and information, transportation, accommodation, and excursions activities. Travel sector is an important service because it brings inbound tourists to consume more domestic goods and services in tourist destinations and as the result helps driving the economy in the same way the domestic consumers do. Since both Thailand and Turkey have similar competitiveness in most of the travel-related activities, and both countries are well known as important tourist destinations in the world, the relationship of the two countries in this sector is likely to be competing.
- **Transportation Sector:** This service involves clients who demand the products, transport service providers, and supporting businesses related to transportation. This sector includes both freight and passenger transportation. Both Thailand and Turkey have infrastructures that can facilitate transport service, causing relatively high value generated from this sector. The relation in transportation service between the two countries may be in the direction towards complementarity. In other words, Turkey obviously is more competitive than Thailand in both ground and air transportation. This is because Turkey’s companies in this sector have been specialized in both domestic and international transport services, especially for air transport. Particularly,

Turkey Airline has become one of highly regarded airline companies in the world. For rail transit system in Turkey, it appears to be irrelevant to the FTA, since this system is fully owned and operated by the Turkish government. Therefore, it is impossible to entry this market.

Political, Social and Environmental Impacts

- **Impacts on Politics:** The assessment on the political impact of Thailand-Turkey FTA considers how the FTA would upset the balance in power of the 5 most powerful nations, namely the U.S., EU, Russia, India, and China. In the strategies of these great powers, both Thailand and Turkey are in a strategic location of their respective region, where great powers play their game to keep the balance of power in check. Nonetheless, the FTA between Thailand and Turkey would not directly affect the interests of those countries, and hence, the political impact from the FTA would not be significant. Moreover, Turkey does not view that the status of current Thai government will have any influence on Thailand-Turkey FTA negotiation.
- **Impacts on Society:** Overall, the positive economic impact from the FTA between Thailand and Turkey would slightly help increase social wellbeing. Nevertheless, the problems of income distribution and poverty would still remain. Moreover, the FTA would support the important role of multinational companies as well as Thailand's large companies in the economy. This in turn would cause the inequality of income to be more prominent. This is because those who benefit the most from this FTA would be the groups of seasoned international traders, which accounts for as small part of the population in the country.
- **Impacts on Environment:** This study treats carbon dioxide (CO₂) emissions from the industrial activities as a proxy of energy consumption and pollution from the overall production. If Thailand-Turkey FTA were concluded, Thailand's top 3 sectors with highest emission of CO₂ would be 1) textile, 2) plastic, rubber and chemical and 3) fishery. On the other hand, if the FTA were effective, Thailand's three sectors with lowest CO₂ emission would be 1) machinery and other equipment, 2) fabricated metal products and 3) petroleum and coke. In sum, if Thailand-Turkey FTA were to happen, there would be 223,000 tons of CO₂ generated, which indicates the negative impact on environment resulting from such trade agreement.

Part III: Direction and Position on FTA Negotiation and Supporting Measures

Recommendations on Direction and Position on FTA Negotiation and Supporting Measures

The recommendation for negotiation scheme starts with assessing the interests of the negotiators on both parties and determining a list of their interests, followed by prioritizing those items on the list. Furthermore, the following major issues should be carefully considered: 1) the necessity of having this agreement 2) scope of the negotiation 3) direction and position of the negotiation and 4) supporting measures for the negotiation.

Interests of Thailand and Turkey from the FTA and Prioritization

From Thailand's perspective, the top priority of Thailand is to seek for new exporting markets, followed by developing value chains that link to Turkey and using Turkey as an alternative route to indirectly enter the EU market. Finally, Thailand wants to make Turkey a gateway to other countries in the region. This initiative comes closer to reality with the development of the Asian Highway Network. Nonetheless, Thailand's businesses in private sector also realize this trading and investing opportunity and support the FTA. From Turkey's perspective, Turkey also would like to open new market for exports, while reducing dependency on trades with EU, which is recently in economic recession, and Russia, which is currently facing the currency crisis. At the same time, Turkey would like to protect its own interests as a member of Turkey-EU Custom Union. Moreover, Turkey is interested in connecting its value chains with Thailand, and extending its trade to other ASEAN countries through Thailand as a gateway.

Necessity and Scope of the Negotiation

From the assessment regarding positive and negative effects from Thailand-Turkey FTA based on 5 criteria which are 1) impact on macroeconomics 2) impact on sectoral level 3) value chains 4) timing of the FTA and 5) demands of Thailand's private sectors, the results indicate positive effects on macroeconomics despite small volume of the bilateral trade between Thailand and Turkey currently. Furthermore, the sectoral level impacts are mixed, but positive overall. The value chain analysis suggests that Thailand and Turkey specialize differently in the same products. Meanwhile both countries specialize in different groups of products even in the same sectors, resulting in clear separation of markets each specialized. According to a linkage multiplier analysis, it is not so clear whether positively affected sectors could pass through the impact of the FTA more profoundly than the negatively affected ones do. The timing of the FTA and the demand of the private sector, however,

would reflect the necessity on trading strategies. Therefore, we recommend that **Thailand should enter the FTA negotiation with Turkey with continuous supports for trade between the two countries along with the measures to facilitate the adjustment of affected sectors.** From the experience of Thailand’s and Turkey’s previous FTAs and the more readiness of manufacturing sectors, we study recommends that **the scope of the Thailand-Turkey FTA negotiation should cover only trade in goods in the initial phase, and then continue to negotiate further on services and investment when both countries agree to proceed.**

Direction of Thailand-Turkey Negotiation

To evaluate the direction of trade negotiation in goods, we start with classifying goods into 9 groups by Thailand’s competitiveness and Turkey’s trade policies as follows:

	Potential Goods for Thailand	Sensitive Goods for Thailand	Neutral Goods for Thailand
Goods that Turkey Wants to Protect	Group 1: - Benzene and health hazard products for worker’s health - Plastic - Rubber and products - Motorcycles - Tractors - Motor vehicles	Group 2: - Fruits such as orange, apple, peanut butter, dried apricot, dried figs and hazel nut - Textile and garment - Objects related radioactivity, uranium isotope, reactor and X-ray generator - Telecommunication equipment machinery and related products - Electrical appliance such as – vacuum cleaners and steam iron - Electrical apparatus - Cotton yarn	Group 3: - Meat and milk products - Aquatic animals - Fish and processed meat - Alcoholic beverages - Tobacco products - Raw hides and skins - Non-Metric or Double Standard weighing scale - Soil, leaves, stems, straw and natural fertilizer for agriculture - Spawn of Silk-Worm - Banknote and related goods - Civil aircrafts and related goods - Map related articles - Sugar substitute - Endangered animals and plants - Petroleum and liquefied petroleum gas - Cooking oil and other vegetables - Article of base metal - Handicraft industry - Shoes - Matches

	Potential Goods for Thailand	Sensitive Goods for Thailand	Neutral Goods for Thailand
			- Eyeglass frame - Handbag - Yarn and silk - Solvents
Goods that Turkey Wants to Support	Group 4: N.A.	Group 5: - Goods under ICT agreements - Machinery for production	Group 6: - Medical supplies - Pulp of wood for paper - Cement - Animal products
Goods for which Turkey's Position Cannot be Determined	Group 7: 87, 52*, 55*, 54*, 57*, 61*, 29, 40 and 39	Group 8: 08, 84, 85, 94, 08, 57, 60, 61, 62, 63, 87*, 29*, 52*, 54*, 55*, 56*, 58*, 27* and 44*	Group 9: All other remaining goods

Source: FPRI

Note: “*” indicates products which are related to selected sectors for value chain analysis (Auto and auto parts, upstream petrochemical, auto tires, textile and garment, wooden furniture and cable) and can be identified as both potential or sensitive goods

The above 9 groups of goods have different implications for trade in goods negotiation over some trade issues.

Scope of Thailand-Turkey Negotiation Framework: Overall

- The negotiation should be based on inclusion of as many as positively affected and unaffected goods possible.
- There should be the provision of supporting measures such that the negatively affected sectors should have a proper adjusting period.
- The trade measures should exhibit clear and transparency as well as reduce complication of procedures without too much burden on Thai businesses.
- The trade measures should be consistent with Thailand's production structure and level of development. It should also help to foster sustainable development of the country.
- The trade measures should be internationally recognized by WTO. The measures resulting in trade barriers in any form should not exceed those set by the WTO, while the measures causing the promotion of trade liberalization should be supported bringing up over WTO standard.

Scope of Thailand-Turkey Negotiation Framework: Trade Related Issues

Trade Related Issues	Trade Position Framework
Tariffs reduction schedule	<ul style="list-style-type: none"> ● Early Harvest or Fast Track for the fastest tariffs reduction schedule for group #4 goods ● Normal track for normal tariff reduction schedule for goods of group #1, #3, #6, #7 and #9 ● Sensitive track for goods with most adjustments required in group #2, #5, and #8
Non-tariff barriers: NTBs): (Quantitative measure)	<ul style="list-style-type: none"> ● Clearly state the need for reduction or elimination of NTBS, which do not comply with WTO such as Tariff quota (Agricultural goods, processed agricultural goods and non-agricultural goods such as Acrylonitrile and compressors) This tariff quota is available for some countries, but not for Thailand. ● Must help resolve trade barriers for Thai industry as much as possible. For example, Thai textiles, made of artificial fiber, were subject to NTBs and Safeguard measures in 2008. ● Have measures to support sensitive goods in group #2, #5 and #8 such as Tariff quota under WTO rules.
Rules of origin	<ul style="list-style-type: none"> ● The Rules of origin must be consistent with the production structure in Thailand <ul style="list-style-type: none"> ○ Wholly Obtained is mainly for primary foods, which are not processed or do not undergo complicated production processes. ○ Non-Wholly-Obtained requires an evaluation of the presence of substantial transformation. The testing rules are as follows: <ul style="list-style-type: none"> ■ Change in tariff-heading: Should insist to use change at chapter level if it has limited value chain for goods. Use change in headings level if it has an extensive value chain. ■ Process operation: Best for goods with clear and stable production process. This is to avoid the amendment of FTA if new process is introduced. ○ Cumulation of Origin works well with goods that have complement value chain for Thailand and Turkey. In other words, it is appropriate for goods suggested by value chain analysis in chapter 9 or goods that Thailand and Turkey has clearly different competitiveness potential. For example, importing cotton, iron and steel and jewelry from Turkey as raw materials and re-export the finished products back to Turkey. Generally, the Regional Value Content (RVC) is at 40%, depending on type of industries shown in previous FTAs of Thailand.

Trade Related Issues	Trade Position Framework
	<ul style="list-style-type: none"> ○ Product specific rules: Designed for particular goods. For instance, Thai garments industry wants to use “two-step backward,” so they can do weaving and dyeing in Thailand and export finished products to Turkey. ● The Rules of Origin should be clear and transparent. They should have easy procedures and do not put too much burden on Thai businesses.
<p>Customs procedure and Trade Facilitation</p>	<ul style="list-style-type: none"> ● Customs procedure should be clear, convenient and efficient. Also, it should be fair and equitable for all countries and unbiased against non-Turkish nationals. Customs procedure must comply with international standards. ● Have cooperation in customs procedure improvement for exports and imports of both countries as to facilitate trade between Thailand and Turkey.
<p>Trade remedies</p>	<ul style="list-style-type: none"> ● Promote the use of trade remedy measures for domestic goods negatively affected by unfair competition practice and excessive imports of compatible goods in both countries. ● Use only remedy measures, which are consistent with WTO rules ● Reduce trade barriers of Thai exports to Turkey and resolve existing problems. In textiles (artificial fiber in 2008), garments, articles of base metal, plastic, rubber and products and handicraft industry.
<p>Sanitary and phytosanitary (SPS)</p>	<ul style="list-style-type: none"> ● Focus on the use of sanitary and phytosanitary measures that complies with WTO rules, taking into account Thailand’s level of development ● Should be clear and transparent measures. Should have easy procedures and do not put too much burden on Thai businesses. ● Jointly develop mutually recognized sanitary and phytosanitary measures for agricultural and food products
<p>Technical barriers to trade (TBT)</p>	<ul style="list-style-type: none"> ● Stress on the use of technical barriers to trade, complying with WTO and taking into account Thailand’s level of development ● Should be clear and transparent measures. Should have easy procedures and do not put too much burden on Thai businesses. ● Lower trade barriers upon Thai exports to Turkey and do not impose too much costs of testing to Thai exporters. For example, the case of Thai plastic manufacturers, experiencing long testing processes for this product group. ● Jointly develop mutually recognized standard of goods for agricultural and food products

Trade Related Issues	Trade Position Framework
Intellectual Property	<ul style="list-style-type: none"> ● Emphasize on the protection of intellectual property, which is consistent with WTO and Thailand’s level of development ● Balance the interests of both intellectual property owners and necessity and welfare of consumers. For instance, Patent protection for pharmaceutical products should take into account both pharmaceutical companies’ benefits and access to drugs of the patients appropriately ● Promote proper enforcement of intellectual property protection laws and lower trade barriers due to the violation of intellectual property and the protection of intellectual property. ● Nurture sustainable development of Thailand’s and Turkey’s intellectual property system through the balance of intellectual property creation, protection, commercialization and enforcement.

Trade in Services

Scope of Thailand-Turkey Negotiation Framework: Overall

- The negotiation should be based on inclusion of as many as positively affected and unaffected service sectors possible.
- There should be the provision of supporting measures such that the negatively affected service sectors should have a proper adjusting period.
- The trade measures should promote clear and transparency as well as reduce complication of procedures without too much burden on Thai service businesses.
- The trade measures should be consistent with Thailand’s service structure and level of development. It should also help to foster sustainable development of the country.
- The trade measures should be internationally recognized by WTO. The measures resulting in trade barriers in any form should not exceed those set by the WTO, while the measures causing the promotion of trade liberalization should be supported bringing up over WTO standard.
- The trade measures should concentrate on services in Mode 2 for tourism and health services, while services in Mode 4 by Turkish natural persons might also be focused due to the issues relating national security.
- Services in Mode 3 should mainly be in accordance with the Foreign Business Act, B.E. 2542 (1999), unless there will be further interesting negotiation in exchange. For many service sectors in Turkey, foreign investors can hold up to 100 percent share in a company.

- There should be appointed committee for considering Mutual Recognition (MRA) on professional qualifications between Thailand and Turkey in order to facilitate Mode 4 services.

Scope of Thailand-Turkey Negotiation Framework: Trade Related Issues

Trade Related Issues	Trade Position Framework
Tourism	<ul style="list-style-type: none"> ● The negotiation should mainly follow the guidelines of WTO. For services in Mode 3 and 4, there should focus on clear and transparency while consistent with Thailand’s level of development. ● Relating to the reason on national security, the precaution on screening procedures regarding Turkish tourist visitors in Mode 2 and movement of natural persons in Mode 4 should be provided.
Logistics (Transport)	<ul style="list-style-type: none"> ● The negotiation should mainly follow the guidelines of WTO. For services in Mode 3 and 4, there should focus on clear and transparency while consistent with Thailand’s level of development.

Investment

Scope of Thailand-Turkey Negotiation Framework: Overall

- The investment negotiation should be based on inclusion of as many as positively affected and unaffected sectors possible, which in turn should be consistent with competitiveness of those businesses.
- There should be the provision of supporting measures such that the negatively affected sectors should have a proper adjusting period.
- The investment measures should promote clear and transparent implementation as well as reduce complication of procedures without excessive extra cost to the investors.
- The investment measures should be consistent with sustainable development of the country by increasing competitiveness through innovation and technology, while promoting environment-and-social-friendly scheme. In other words, the investment measures should focus on investments that create value added for the country.
- The investment measures should create balance in aspects of investment liberalization, investment protection, investment promotion, and investment facilitation. Also, the investment measures should create balance between the foreign investor interests and the interests of the host state.

- The investment measures should be internationally recognized by WTO. The measures resulting in investment barriers in any form should not exceed those set by the WTO, while the measures causing the promotion of investment liberalization should be supported bringing up over WTO standard.
- The rules and regulations relating investment in Turkey defined in many specific investing sectors demonstrate openness to foreign investors so that they can hold up to 100 percent share in a company in Turkey. Therefore, Thailand can specify sensitive list of sectors that need to be protected as well as sectors that Thailand wish to liberalized under And branches can be liberalized under the Foreign Business Act, B.E. 2542 (1999), while negotiating for the liberalization of the Turkish sensitive sectors interested by Thailand.
- According to the case of TRIMs violation of Turkey, it showed that Turkey could take measures for their own benefit if necessary, even if it would have violated an international agreement. For that regard, the investment negotiation should specially focus on the efficient dispute settlement. Also, there should periodically monitor the evidence of any violation. Moreover, Thailand should pay interest on Turkey’s reservation list to see if those sectors are overprotected.
- Turkey’s investment promotion may likely decline in the future if Turkey successfully joined the EU. Thus, the negotiation regarding investment liberalization should also include some conditions to support such future changes in the Turkish part of the European Union.

Scope of Thailand-Turkey Negotiation Framework: Investment Related Issues

Investment Related Issues	Negotiation Position Framework
Investment liberalization	In comparison to Thailand, Turkey presents more liberalization of investment. So, Thailand could use this advantage to negotiate for openness of other investing sectors.
Investment protection	The investment measures should be clear, fair and transparent, while providing unbiased, flexible, and effective dispute settlement procedures in accordance with the guidelines of the WTO.
Investment promotion	The investment promotion policy of Turkey would have changed significantly after already joining the EU membership. The investment measures should therefore support such free trade agreement on investment.

Investment Related Issues	Negotiation Position Framework
Investment facilitation	<p>Thailand should cooperate in reducing the investment procedures and investors' frustration.</p> <p>There should promote information exchanges and transfers between the two countries, no less than those of WTO standard.</p>

Supporting Measures for FTA

After the direction of FTA Thailand-Turkey negotiation was proposed, the formulation of supporting measures is also crucial. These measures will help maximize the benefits of the FTA and help those who are negatively affected. This study will focus on the measures to promote Thailand-Turkey FTA utilization and to facilitate the adjustment process for those who suffer from FTA Thailand-Turkey.

Thailand-Turkey FTA Utilization Supporting Measures

Nurture the relationship between Thailand and Turkey

- Promote better relationship and understanding between two countries through Tourism and Thai food. Establish each Thai restaurant as an information center for tourism, trade and investment
- Facilitate interaction and business between Thai and Turkish business community through Thailand-Turkey Business Association.
- Promote cultures of both sides and support the role of Thai Muslims as a bridge between Thailand and Turkey

Establish Turkey as a production base and a distribution center

- Set up an information and counseling center for doing business and investment in Turkey under BOI and Department of International trade promotion for both Thai and multinational companies, whose production base is in Thailand
- Establish a branch office of BOI in Turkey to facilitate investment and support necessary information for doing business and function as a business center for Thailand and Turkey in the same fashion as Japan's JICA
- Promote investment in many forms such as JV, M&A, and setting up of branch and representative office. Investment incentives including tax benefits and other benefits

Competitiveness enhancement for Thai business

- Reinvent existing industrial-specific institutes under the Ministry of Industry to be effective Excellence Centers for industrial development. These centers should connect private sector, academic institutions, research centers and government. Should have similar institutes for service sector
- Provide update on trade barriers, new standards, new development and project of competitors, fashion, trend, history, culture and beliefs. This information should be linked to BOI and the Department of International Trade Promotion
- Jointly develop curriculum with public sector and academic institution to develop necessary skills in production, marketing, sales, management, financing, foreign languages and technologies
- Support the employment of foreign specialists who can help promote creativity, understand technology and truly know markets abroad
- Grant Thai nationality to foreign individuals (retirees or non-retiree) who possess outstanding skills and knowledge with proper incentives in exchange for a commitment to be advisors to Thai business

Trade Promotion between Thailand and Turkey

- Promote Thai cultures, tourism and Thai food to Turkish people.
- Provide financial supports for consulting in the areas of R&D, sales and marketing and for participating in, trade fairs and exhibitions, business matching, training and business seminar with a condition to share knowledge to other firms
- Establish a business network to Turkish companies directly
- Expand to new market channels such as E-commerce
- Educate Thai companies on risk management in exchange rate and inflation
- Promote the use of Muslim network in doing business with Turkey and establish the Southern Region to be Trade center to Muslim countries.
- Develop testing and standard certified centers which are capable of testing standards of key trading partners in timely manners. Government should provide financial assistance. Moreover, Thailand should negotiate with other countries to have mutual recognition agreement for standards

FTA Initiatives

- Should promote trade before engaging in FTA negotiation to maximize the benefits of FTA in the long run.
- Should invite all stakeholders to participate in the FTA process from Day one.

- Support the study of overall FTA strategy and analyze the interaction between each FTA
- Study and launch FTA that provide better competitive edge for Thailand and follow how our competitors' FTA will affect us.

Moreover, we will also have FTA Utilization promoting measures, which are consisting of 1) awareness building of FTA, benefits and benefit usage, 2) quick access and benefit usage, 3) free trade usage promotion and 4) monitoring and evaluation of benefit usage to continuously improving performance of related agencies.

Awareness building of FTA benefits and benefits usage

- Allow all stakeholders to participate in the process of FTA negotiation from the beginning to acknowledge progress on preparation, negotiation and results. Early participation of all stakeholders will create a sense of ownership and utilize benefits of FTA better.
- Publicize the FTA from the initial stage through various medias such as mass media, website, You-tube and social media
- Raise awareness of the FTA negotiation party countries in several dimensions such as economy, politics, society and cultures through various channels. This is to help new exporters to learn about these countries and realize new business opportunities
- Provide trainings and workshops for FTA benefit usage, procedure and related documents for entrepreneurs and related agencies
- Establish an intelligence unit in Turkey to collect crucial information for doing business in Turkey and monitor our competitor countries' activities

Quick access and Benefit Usage

- Set up a FTA agency to provide services regarding FTA benefit usage in each province
- Provide one-stop service and link database between related agencies to process documents faster
- Develop service staffs to be knowledgeable and able to give advices to entrepreneur in related documents, for example, Rules of Origin form.

FTA Benefit Usage Facilitation

- Establish an advisory agency to assist SMEs in exporting goods and services from beginning to the end. The supports include necessary knowledge, information, financing and coordinate with related agencies. SMEs participating in this program must share costs.

Monitoring and evaluation of benefit usage

- Establish a monitoring system to check on the progress on benefit usage and survey user's satisfaction
- Evaluate data monthly and set up a meeting between managers and local staffs to improve service performance.

Remedy and Adjustment Measures for Thailand-Turkey FTA

Awareness building of FTA fund for disadvantaged groups from FTA

- Allow all stakeholders to participate in the process of FTA negotiation from the beginning to understand the process of preparation, negotiation and conclusion. This is to create a sense of ownership in this FTA for every stakeholder.
- Publicize available remedy measures for FTA from the beginning of FTA negotiation process through several medias such as mass media, website, YouTube and social media
- Raise awareness of new business opportunities in both domestic and foreign markets especially for those under FTA with Thailand
- Provide training and workshop regarding benefits, procedures and relevant documents of FTA fund for entrepreneurs and related agencies

Access to the FTA fund

- Establish an agency to provide assistance in all provinces in the area of screening and adjustment planning for each entrepreneur from the start before going to FTA fund
- Set up a one-stop service and link database between related agencies to process documents faster
- Develop staffs to be knowledgeable and give consultancy services to entrepreneurs

Network of FTA fund and other relevant agencies

- Coordinate with other business promotion agencies to take part in the adjustment process of adversely affected businesses and continue to enhance their competitiveness and searching for new markets

Monitoring and evaluation of FTA fund performance

- Set up a monitoring system for the progress of adjustments projects and survey for users' satisfaction
- Evaluate data monthly and hold a meeting between managers and local staffs to improve performance of the local staffs

Sector-Specific Remedy Measures

The main objective of remedies measures is to support firms in garments, furniture (wooden) and electrical equipment (wire and cable) in making adjustments and competing strongly. The remedy measures will be varied by firm depending on their capability. The set of core remedy measures consists of business restructuring measure, financial support measure, marketing and new market measure and training measure for competitiveness enhancement in all parts of value chain. We will divide companies into 4 groups by their size and export-orientation as follows: 1) medium-large exporting, 2) small exporting, 3) medium-large domestic and 4) small-domestic. The last group of firms will be further classified into a group which is negatively affected by FTA as suggested by the GTAP model and a group which is not affected according to the GTAP model. Therefore, the first group of firms is the most capable, while the fourth group is the least competent. The most capable may only need additional training, while the fourth group will receive almost all remedy measures. In sum, we can summarize projects undertaken as remedy measures and their estimated budget as follows:

Measure Information	Garment	Furniture	Electrical Equipment
Number of most affected firms or firms with highest risk	21,601 firms	2,455 firms	185 firms
1. Firm Advisor for Competitiveness Enhancement Project			
Scope	<ul style="list-style-type: none"> Assist a firm to develop its business restructuring plan to guide them through the restructuring process and to apply for financial supports. Monitor and evaluate the progress of the restructuring process. 		
Estimated Budget (millions of Baht)	35.00	12.25	4.55
2. Restructuring Fund Project (Additional to FTA Funds)			
Scope	<ul style="list-style-type: none"> Provide interest-free loans for 5 years for the implementation of restructuring plan Available as additional source of funds, other than FTA funds. 		
Estimated Budget (millions of Baht)	250.00	87.50	32.50
3. Domestic and International Marketing Support Projects			
Scope	<ul style="list-style-type: none"> Arrange company visits to firms with success in marketing for domestic and international markets. Facilitate business matching and trade representative group Promote firm's participation in Trade Fairs. 		
Estimated Budget (millions of Baht)	22.13	11.44	3.24
4. Firm Competency Development Training Project			
Scope	<ul style="list-style-type: none"> Provide knowledge on Thailand-Turkey FTA and its possible impacts Support knowledge for exporting goods to new markets Support competitiveness improvement in all parts of value chain: R&D and innovation, productivity improvement and technology, supply chain and logistics management, sales, marketing and customer services and over-all business administration 		
Estimated Budget (millions of Baht)	346.81	62.75	5.74
Estimated Total Budget (millions of Baht)	653.94	173.94	46.03