

ผลกระทบของเขตการค้าเสรีไทย - ออสเตรเลียที่มีต่อผู้ส่งออกสินค้า อุตสาหกรรมประเภทรถยนต์ อุปกรณ์ และส่วนประกอบ ของประเทศไทย

The Impacts of Thailand – Australia Free Trade Area (TAFTA) on Automotive/ Auto Parts and Accessories Exporters in Thailand

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บทคัดย่อ

การศึกษานี้มีวัตถุประสงค์เพื่อศึกษาผลกระทบของเขตการค้าเสรีไทย - ออสเตรเลียที่มีต่อผู้ส่งออกสินค้า อุตสาหกรรมประเภทรถยนต์ อุปกรณ์ และส่วนประกอบของประเทศไทย โดยได้ทำการศึกษาดังผลกระทบ และทัศนคติ ก่อนและหลังการเปิดเขตการค้าเสรีไทย - ออสเตรเลียของผู้ส่งออก ผู้วิจัยใช้กลุ่มตัวอย่างจำนวนทั้งสิ้น 210 บริษัท และใช้วิธีการสุ่มตัวอย่างแบบความน่าจะเป็น ด้วยวิธีการสุ่มตัวอย่างเชิงระบบ รวมถึงได้ทำการศึกษาดังแนวโน้มการส่งออก โดยใช้ข้อมูลทศวรรษย้อนหลัง 5 ปี ตั้งแต่ปี 2548 - 2552 เพื่อทำการวิเคราะห์แนวโน้มการส่งออกของสินค้าประเภทรถยนต์ อุปกรณ์ และส่วนประกอบของประเทศไทยในอนาคต ผู้วิจัยได้ใช้สถิติ Paired Sample T-Test และ Kendall's tau b Correlation ในการศึกษาความแตกต่างของค่าเฉลี่ยและการหาความสัมพันธ์ของการเปิดการค้าเสรีไทย - ออสเตรเลีย กับผู้ส่งออกของไทย

ผลการศึกษาพบว่า หลังจากการเปิดการค้าเสรีไทย - ออสเตรเลีย ผู้ส่งออกมียอดขายรวมทั้งรวมถึงผลกำไร และ ปริมาณการส่งออกสูงขึ้น การดำเนินพิธีทางศุลกากรทำได้สะดวกมากขึ้น ขณะเดียวกันพบว่ามีการกีดกันทางการค้า ในรูปแบบที่มีโทษทางภาษี เช่น มาตรการตรวจสอบต่างๆ ที่มากขึ้น รวมถึงทำให้การแข่งขันของอุตสาหกรรมรถยนต์ อุปกรณ์ และส่วนประกอบในประเทศไทยรุนแรงมากขึ้น ทัศนคติในการทำการค้ากับประเทศออสเตรเลียหลังจกมี การเปิดเสรีไทย - ออสเตรเลียของผู้ส่งออก พบว่าโอกาสทางการค้ากับประเทศออสเตรเลีย โอกาสในการร่วมทุนทาง ธุรกิจกับนักธุรกิจชาวต่างชาติเพื่อเพิ่มศักยภาพในการดำเนินงานอยู่ในระดับเห็นด้วยมาก ขณะที่มีคู่แข่งในอุตสาหกรรม รถยนต์ อุปกรณ์ และส่วนประกอบมากขึ้น, การเจรจาทางธุรกิจกับคู่ค้าในประเทศออสเตรเลียมีความราบรื่น ไม่ยุ่งยาก, การได้รับการสนับสนุนจากหน่วยงานภาครัฐ และการทำข้อตกลงทางการค้ามีความสะดวกสบาย รราบรื่น ไม่ซับซ้อน อยู่ในระดับมากเช่นเดียวกัน แสดงให้เห็นว่าการเปิดการค้าเสรีไทย - ออสเตรเลีย ส่งผลให้การค้ากับประเทศออสเตรเลีย มีความง่ายในการดำเนินธุรกิจและมีโอกาสทางการค้ามากขึ้น แต่ในขณะเดียวกันก็พบว่าผู้ส่งออกต้องประสบปัญหาใน เรื่องของการกีดกันทางการค้าที่มีโทษภาษีที่ทำให้ผู้ส่งออกมีต้นทุนที่เพิ่มขึ้น ขึ้นตอนการดำเนินงานซับซ้อนมากขึ้น อีกทั้งยังก่อให้เกิดการแข่งขันที่รุนแรงมากขึ้นตามมา

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Abstract

This research aims to study the impacts of Thailand-Australia Free Trade Area (TAFTA) on automotive/ auto parts and accessories exporters in Thailand. The research focused on attitude of the Thai exporters before and after Thailand has announced and implemented the TAFTA. The samples of the research were 210 export companies which came from probability sampling and systematic random sampling techniques. According to the analysis, five consecutive years information of the Thai export trend were investigated in order to forecast the automotive/ auto parts and accessories export trend in the future while Paired Sample T-test and Kendall's tau b Correlation were used to investigate the differences of means and the relation of TAFTA and the Thai exporters.

The findings indicate that after the introduction of TAFTA, there has been an increase in the placement of orders, the net profits, and the amount of exported products on the part of the Thai exporters. TAFTA has been showed to facilitate customs procedures. However, one of the drawbacks that the Thai exporters have experienced is the non-tariff barriers in the form of stricter testing methods and higher standards. This, in turn, has led to a higher competition level within the domestic market for automobiles, auto parts, and auto accessories. With respect to the exporters' attitudes towards trade with Australia, the Thai exporters have been optimistic about the potentials for trade ties and joint ventures. In terms of business negotiations and governmental support, the Thai exporters have significantly given positive feedback following the introduction of TAFTA. Thus, it can be concluded that TAFTA, while making the domestic market more competitive, has produced a positive impact upon the Thai exporters. In the mean time, TAFTA has caused non-tariff barriers and these barriers have led the Thai exporters to inevitably encounter the increasing of cost as well as the complexity of exporting processes.

คำสำคัญ : เขตการค้าเสรีไทย-ออสเตรเลีย

Keywords: Thailand - Australia Free Trade Area (TAFTA)

Introduction

Exporting is one of the international business channels driving a country's economic growth. In the past, most of Thailand's export products were agricultural because most of the population was farmers. The government has, however, recently been promoting industrial products focusing on manufacturing and exporting. The One Tambol One Product (OTOP) project was developed and improved in order to meet international standards, so that the products be exported to other countries. In the long run, it can generate a great

deal of income as well as reputation for the country. Since labor cost is still relatively low, international corporations can see potential in investing on their manufacturing base in Thailand and export their products worldwide.

There is a continuous growth in Thailand's export value which is relative to the growth in its economy. Moreover, the world's economy has also been moving toward becoming free trade since the World Trade Organization (WTO) has announced the new Multilateral Trade Negotiation (Doha) in 2001. There has been, however, no reported progress or success in

such negotiation until today (2009). Member countries are still dependant on making agreements at the regional or bilateral level, specifically, 70% of 300 agreements were bilateral between developed countries, developing countries, or underdeveloped countries. Those agreements were, for example, agreements between The United States – Australia, agreements between Japan – Singapore, and agreements between Philippines – Japan. It should be brought to attention that countries who never played a part in any FTAs such as Japan and Korea, have recently joined more bilateral free trade agreements. In fact, European countries, who declared not to settle in any bilateral agreements until Doha negotiation was successful, were eventually in FTA with countries in Africa, the Caribbean, and Pacific. For its economy growth in the future, Thailand has decided to participate in free trade agreement, especially, bilaterally. Examples of partnering countries are China, India, Australia, the United States, and Japan. The first bilateral FTA Thailand has signed was with Australia (TAFTA) which was in effect since January 1st, 2005. Therefore, the impacts of TAFTA on automotive/auto parts and accessories exporters were studied in this research. Other than the fact that it was the first bilateral agreement in Thailand, TAFTA has been in effect for 5 years (Department of Trade Negotiations, 2010), making it interesting in terms of attitude and its impacts perceived by Thai exporters. The results would indicate current trading situations as well as whether the impacts still remains. Each positive or negative impact discovered could then be identified as long term; not only some short term impacts based on misunderstanding of rules or regulations in the agreement. The researcher specifically selected the automotive/auto parts and accessories industry because over the 12-year period, since 1998 – 2009, this industry was the number one exported products from Thailand

to Australia. It is thus the key export products to pay attention to. In 2009, the export value was \$2,150.4 million which accounted for 25% of Thailand's total export value of \$8,578.6 million (Department of Export Promotion, 2010). Being the key export products, it was unavoidably exposed to being affected by TAFTA. This study would also reveal whether the impacts of TAFTA on exporters were positive or negative, and can then be clarified on the levels, topics, and degree of damage it could do. The research results will be used for the planning and development of conditions and criteria in Thailand's future FTA. They can also be used to suggest solutions for those impacts, in order to improve Thai exporters' competitiveness as well as support them in sustainably trading under free trade agreements.

Objectives

1. To study the impacts of Thailand-Australia Free Trade Area (TAFTA) on automotive/auto parts and accessories exporters in Thailand,
2. To study export trends of automotive/auto parts and accessories in Thailand,
3. To study attitude of automotive/auto parts and accessories exporters regarding the effect of the TAFTA.

Relevant Concepts & Theories

The objectives of Thailand-Australia Free Trade Area (TAFTA) were to create trading and investment opportunities for Thai businesses, as well as to upgrade the country's business structure to an international level. There may be some doubts whether free trade agreement is truly beneficial to Thai businesses or it is instead a burden on Thai entrepreneurs. A study by Rugman (2004) confirmed that free trade area (FTA)

would contribute to an increase in trade value in member countries in the agreement. But direct investment in the bigger country tended to decrease due to several factors, such as labor cost, investment cost, etc. This is because investors would prefer exporting to establishing their factory locally, which would save them a lot of costs even if including shipping cost for export. The study ultimately showed that, with FTA, direct investment would be increased in the country with manufacturing potential, while there would be a negative impact on the bigger country. Direct investment would drop leading to a decrease in labor rate. In North America, FTA had a negative impact on service industry, which was rejected for entering the market due to their certain business structure, especially in banking, education, transportation, healthcare, and social welfare sector.

The study also resonated with that by Suh & Khan (2003) which indicated that TAFTA has an impact on an increase in direct investment and export volume as well as on communication technology infrastructure enhancement. Consequently, more Australian investors are likely to be interested in doing business in Thailand because of the privileges offered under the agreement, and the fact that Thailand is a source of high quality material; whether sourcing domestically or importing from neighboring countries under ASEAN Free Trade Area (AFTA). Labor with specialized skills costs relatively lower creating more profit from the investment, which in turn encouraged more competition among Thai entrepreneurs. A study by Kowalczyk (2008) on FTA between big and small country showed a corresponding results that FTA would be more favorable for the smaller country with flexible manufacturing capacity and advantages in materials and labor. As a result, it has a competitive advantage which leads to the loss of tariff income in the big country. Free trade area also creates more competition among cost-effective entrepreneurs in

the local market, compelling big countries to set other non-tariff barriers to protect their local entrepreneurs. The non-tariff barriers were, for example, product safety standards, detailed information on the originality of the product (rule of origin), or even indications whether the products were environmental friendly or made by illegal child labor. These strict standards were successful in screening products from small countries because they were mostly unable to meet these high standards. Although having to face with these other barriers, as a small country with great capacity and resources, Thailand is highly expected to benefit from this agreement. However, Sohn & Lee (2006) were concerned about the impact of FTA on the level of income in the member countries joining FTA. They studied the impact using FTA-related data from European Union, NAFTA, AFTA, and Mercosur. The research results indicated that generally FTA had a positive effect on the level of income, while the subject of the sustainability and volume essentially depended on the agreement content and other surrounding factors, especially sincerity between member countries. In terms of international academic aspect, FTA was found to offer several other benefits. For example, Veldman (2004) studied FTA on beef products in the United States. The results showed that FTA created opportunities in penetrating new markets in foreign countries, while it also reduced trading barriers, limitations, as well as tariffs for American exporters. On the other hand, Australia also benefitted from it as one of the member countries in the agreement. Beef product exported from Australia to the US rose from 15,000 tons to 70,000 tons, the highest record in 18 years, since FTA has been in effect. However, there were still certain levels of standards set by the US, preventing Australian beef suppliers to fully benefit from FTA and effectively compete in the market.

The results from an academic conference organized by the Department of Commerce District Export Council (DEC) (DEC, 2003), published in an article “DEC Conference Highlights” also confirmed that the benefits from FTA between the US and Chile were beyond just the tariff reduction of 6% in Chile. It additionally facilitated American businesses in entering and growing in Chile, particularly for agricultural products, as well as supported against piracy products in Chile. This shows that cooperation in FTA can truly yield mutual benefits to both countries. Chemingui & Colton (2005) had studied the outcome of direct investments in Tunisia and the role of FTA in the European Union (EU). They found that direct investment is the key factor in driving the economic success of Tunisia. FTA has been encouraging continuous growth in direct investment in Tunisia as well as giving it competitive advantage in manufacturing in EU. On the contrary, some businesses such as imports from EU to Tunisia showed a decrease in sales volume. Although this could mean that FTA could ultimately reduce the country’s reliance on import goods, hence some importers were affected and had to go out of business. The study, however, did not suggest any solutions to address this problem for importers in Tunisia. Another research, sponsored by The Economist Intelligence Unit (2004), on FTA between Mexico and Japan showed an increase in direct investment from Japan which created an intense competition with businesses from the US and EU. Eventually, this caused an overall price drop for local consumers. Other than that, it was found that Japanese automobile manufacturers were able to penetrate Mexican market through both export channel and direct investment in manufacturing plants. For example, Nissan manufactured more than 300,000 cars per year in Mexico, of which 215,000 cars were sold locally within a one-year period. Although

Mexico has raised its ceiling for imported cars from Japan, the ceiling is still considered as a barrier preventing Japan to fully benefit from the FTA. There are several domestic researches and studies including that by Ngamviriyapong (2003) which stated that, in general, AFTA had positive effects on trading volume of member countries, whether for import or export businesses among countries within or outside the area. Lektip (2001) studied the impact of AFTA on agricultural trade in Thailand. The agricultural products benefitted from the agreement were rice, rubber, and cassava, where Thailand had production capacity with relatively lower cost. It was, consequently, able to be the world’s number one exporter. However, it was found that, in fact, there were still some barriers set by each country in order to protect its own benefits, which ultimately prevent the members to extend their cooperation to reach an in-depth level. Thus, this could potentially become a threat to the stability and trust among member countries.

According to the researches mentioned above, it can be concluded that FTA is greatly beneficial to countries involved in the agreement. An agreement on FTA is thus a hope to drive a country’s economy which is expected to be continuous and sustainable. On the contrary, each country is indirectly pressured to protect its business competitiveness by setting non-tariff barriers. Conflict among member countries is a potential threat as a result of the lack of trust, whereas the true benefit of FTA will be lost. For automotive/ auto parts and accessories exporters, TAFTA is highly expected to yield more volume and profit due to tariff reduction as well as opportunities for sustainable growth or joint venturing in the future. This study will pursue the positive and negative impacts of FTA on automotive/ auto parts and accessories exporters. International and domestic literatures were reviewed and adapted in creating a suitable questionnaire to investigate whether

the impacts of FTA can be identified with those of FTAs between other countries.

Attitude or perceptions of business owners affected by FTA was collected by interviewing their viewpoints before and after the FTA was in effect. Theories by Allport (1935), Newcomb (1954), and Nunnally (1958) stated that one's previous experiences will unavoidably affect one's attitude afterwards. However, after a certain time to adjust, attitude can be changed after he/she has encountered new positive experiences.

Definitions

Export is an activity which an exporter carry or send products to be sold in another country.

Free Trade Area (FTA) is an agreement made between 2 countries or more to mutually cancel their trade barriers.

Balance of Trade is the difference in value over a period of time of a country's imports and exports of merchandise. When the value of exports is greater than that of imports, it means the country is running a surplus. If the value of imports is greater, it is instead a deficit.

Bilateralism is an agreement affecting reciprocally two nations or parties.

Multilateralism is an agreement involving or participated in by more than two nations or parties, without any two countries making any exclusive agreements.

Exporter is a wholesaler who sells to merchants or industrial consumers in foreign countries, regardless of whether it is a manufacturer of the product.

World Trade Organization (WTO) is an international body dealing with the rules of trade between nations, including negotiations to find alternative dispute resolutions for members.

Thai - Australia Free Trade Area (TAFTA) is an agreement to reduce trade barriers between Thailand and Australia, which was effective since January 1st, 2005.

Methodology

This is essentially a survey research on automotive/auto parts and accessories exporters. Qualitatively, the data on export value was analyzed to predict future trends for the industry.

1. Population & Samples

1.1 Population

The study population consisted of registered automotive/auto parts and accessories exporters listed on the Exporter List by the Department of Export Promotion

1.2 Samples

The sample group was 210 automotive/auto parts and accessories exporters (on the Exporter List by the Department of Export Promotion). Probability sampling was done with systematic random sampling techniques (Zikmund, 2003) through telephone contacts with each exporter or sample unit.

2. Research Tool

2.1 Creating Research Tool

The research tool was created in a form of questionnaires following the steps below:

2.1.1 Research tools were handed out to 5 specialists to verify the content validity by identifying the Index of Item Objective Congruence (IOC) by choosing questions with the index of higher than 0.50 (Pongpaew, 2008).

2.1.2 The reliability analysis was done by determining Cronbach Alpha (α). The value of

Cronbach Alpha was 0.7447 for the question concerning the impact of TAFTA on automotive/auto parts and accessories exporters, whereas it was 0.8384 for the question concerning attitude of Thai automotive/auto parts and accessories exporters toward TAFTA.

2.2 Research Tool Structure

Part 1: The effect of TAFTA on Thai automotive/auto parts and accessories exporters, adapted from relevant researches including papers by Kowalczyk (2008), Rugman (2004), Suh & Khan (2003).

Part 2: Attitude of Thai automotive/auto parts and accessories exporters toward TAFTA, adapted from theories and concepts about attitude by Nunnally (1958), Newcomb (1954), and Allport (1935).

Questions in Part 1 and Part 2 were arranged in an ordinal scale with 3 levels of rating scale: Agree, Unsure, Disagree (Zikmund, 2003). Secondary data was collected from export data, during 2005–2009 from the Department of Export Promotion, for the future export trend analysis.

Scoring criteria of TAFTA impacts is as follows:

Average Score 2.34–3.00 means High Level of Impact

Average Score 1.67–2.33 means Medium Level of Impact

Average Score 1.00–1.66 means Low Level of Impact

Scoring criteria of exporters' attitude toward TAFTA is as follows:

Average Score 2.34–3.00 means Highly Agree

Average Score 1.67–2.33 means Moderately Agree

Average Score 1.00–1.66 means Disagree

Data Analysis

Descriptive Statistics is a method used for general analysis on respondents, i.e. percentage, measures of central tendency such as mean, measures of dispersion such as standard deviation.

Inferential Statistics is a method used to:

- Distinguish the differences among impacts on Thai automotive/auto parts and accessories exporters when operating under TAFTA, by using Paired Sample T-Test.
- Distinguish the differences among attitudes of Thai automotive/auto parts and accessories exporters between before and after TAFTA was in effect, by using Kendall's tau b Correlation.
- Determine correlations between exporters' attitude before and after TAFTA was in effect, by using Kendall's tau b Correlation.
- Analyze export trends for the automotive/ auto parts and accessories industry based on the 5-year secondary data from the Department of Export Promotion from 2005–2009, by using time series method with the Exponential Smoothing Technique by Holt.
- Distinguish the differences in export value of Thai automotive/auto parts and accessories industry, before and after TAFTA was in effect.

Conclusions

1. The level of impact on trading with Australia before TAFTA: the highest mean was in 'an increase on sales order per year' (\bar{x} =2.06, S.D. = 0.646), followed by 'an increase in rate of return per year' (\bar{x} =1.89, S.D. = 0.628), 'export volume per year' (\bar{x} =2.00, S.D. = 0.540), 'less complicated custom procedures' (\bar{x} =2.15, S.D. = 0.589), 'non-tariff barriers' (\bar{x} =1.95, S.D. = 0.628), and 'intense competition' (\bar{x} =2.12, S.D. = 0.626), respectively.

2. The level of impact on trading with Australia after TAFTA: The highest mean was in ‘an increase on sales order per year’ (\bar{x} =2.35, S.D. = 0.595), followed by ‘an increase in rate of return per year’ (\bar{x} =2.35, S.D. = 0.617), ‘export volume per year’ (\bar{x} =2.46, S.D. = 0.604), ‘less complicated custom procedures’ (\bar{x} =2.44, S.D. = 0.618), ‘intense competition in the industry’ (\bar{x} =2.41, S.D. = 0.549), and ‘non-tariff barriers’ (\bar{x} =2.20, S.D. = 0.713), respectively. This shows that the impact on non-tariff barrier existed before TAFTA was in effect, and that TAFTA did not reduce this impact. On the contrary, the mean (\bar{x}) was even higher than before TAFTA was in effect.

3. The attitude of Thai automotive/auto parts and accessories exporters toward trading with Australia before TAFTA: the topic with the highest mean was in ‘trading opportunities in Australia’ (\bar{x} =2.48, S.D. = 0.733), followed by ‘joint venture opportunities with foreign investors’ (\bar{x} =2.40, S.D. = 0.746), ‘more competition in automotive/auto parts and accessories industry’ (\bar{x} =2.20, S.D. = 0.763), ‘smooth negotiation with Australian business partners’ (\bar{x} =2.19, S.D. = 0.517), ‘full support from government organizations such as the Department of Export Promotion’ (\bar{x} =2.26, S.D. = 0.573), and ‘more convenient and less complex trading agreement’ (\bar{x} =2.23, S.D. = 0.623), respectively.

4. The attitude of Thai automotive/auto parts and accessories exporters toward trading with Australia after TAFTA: the topic with the highest mean was in ‘trading opportunities in Australia’ (\bar{x} =2.59, S.D. = 0.622), followed by ‘more competition in automotive/auto parts and accessories industry’ (\bar{x} =2.45, S.D. = 0.678), ‘joint venture opportunities with foreign investors’ (\bar{x} =2.52, S.D. = 0.686), ‘smooth negotiation with Australian business partners’ (\bar{x} =2.40, S.D. = 0.554),

‘full support from government organizations such as the Department of Export Promotion’ (\bar{x} =2.49, S.D. = 0.555), and ‘more convenient and less complex trading agreement’ (\bar{x} =2.37, S.D. = 0.607), respectively. The study results indicated that, after TAFTA was in effect, both the positive and negative attitude increased. The topics were mainly on trading opportunities in Australia, joint venture opportunities with foreign investors, smooth negotiation and trade agreement with Australian business partners, full support from government sector, and more competition.

Hypothesis Test Results

Hypothesis 1: There are significant differences between impacts on business operations of Thai automotive/auto parts and accessories exporters before TAFTA, and those after TAFTA.

Table 1. Results from the Paired Sample T-Test for the differences of means of impacts on business operations of Thai automotive/auto parts and accessories exporters before TAFTA, and those after TAFTA

Test Method	T-test	Sig.
Paired Sample T-Test	12.314	0.001

The test results showed significant differences, at 0.05 level of significance, between the impacts, before TAFTA and after TAFTA, on business operation of Thai automotive/auto parts and accessories exporters.

Hypothesis 2: There are significant differences in exporters’ attitude before TAFTA, and that after TAFTA.

Table 2. Results from the Paired Sample T-Test for the differences of means of exporters’ attitude before TAFTA, and that after TAFTA

Test Method	T-test	Sig.
Paired Sample T-Test	6.057	0.001

The test results showed significant differences, at 0.05 level of significance, between exporters’ attitude before TAFTA and after TAFTA.

Hypothesis 3: There are correlations between impacts on business operation before TAFTA and those after TAFTA.

Table 3. Results from Kendall’s tau b Correlation showing correlations between impacts on business operation before TAFTA and those after TAFTA

Test Method	Kendall’s tau b Correlation	Sig.
Kendall’s tau b Correlation	0.279	0.000

The test results showed significant correlations, at 0.05 level of significance, between impacts on business operation before TAFTA and those after TAFTA

Hypothesis 4: There are correlations between exporters’ attitude before TAFTA and that after TAFTA.

Table 4. Results from Kendall’s tau b Correlation showing correlations between exporters’ attitude before TAFTA and that after TAFTA

Test Method	Kendall’s tau b Correlation	Sig.
Kendall’s tau b Correlation	0.412	0.001

The test results showed significant correlations, at 0.05 level of significance, between exporters’ attitude before TAFTA and that after TAFTA.

Hypothesis 5: TAFTA has positive effects on export trends in Thai automotive/auto parts and accessories industry.

Table 5.1 Export Value and Growth Rate of Thai automotive/auto parts and accessories to Australia, breakdown by year 2005 - 2009

Value (\$million)				
2005	2006	2007	2008	2009
1250.0	1517.2	2497.7	2718.1	2150.9
Growth Rate (%)				
2005	2006	2007	2008	2009
66.22	21.38	64.62	8.82	-20.8

Table 5.1 shows that export value has been increasing every year. Although the growth rate in 2009 was negative, but it was supposedly a short-term decrease due to the crisis in world economy and domestic political situations throughout 2009. However, from the fourth quarter of 2009 until the first quarter of 2010, the growth rate increased showing a rapid recovery in world economy and that export value will become high again.

Table 5.2 Time Series Forecast of Export Value and Growth Rate of Thai automotive/auto parts and accessories to Australia, breakdown by year 2010 - 2014

Value (million USD)				
2010	2011	2012	2013	2014
2875.72	3175.89	3476.06	3776.23	4076.40
Growth Rate (%)				
2010	2011	2012	2013	2014
33.69	10.43	9.45	8.63	7.94

Table 5.2 shows the forecast in export trends and growth rate of Thai automotive/auto parts and accessories to Australia, for the year 2010 – 2014, using time series method with Exponential Smoothing Technique by Holt. The results indicated that there will be an increase in export value from 2010 – 2014, with the growth rate of 33.69% from 2009 to 2010. Although, from 2011 – 2014, the growth rate would be decreasing, they still show promising positive growth each year. It can be concluded that there is a positive trend in exporting Thai automotive/auto parts and accessories to Australia.

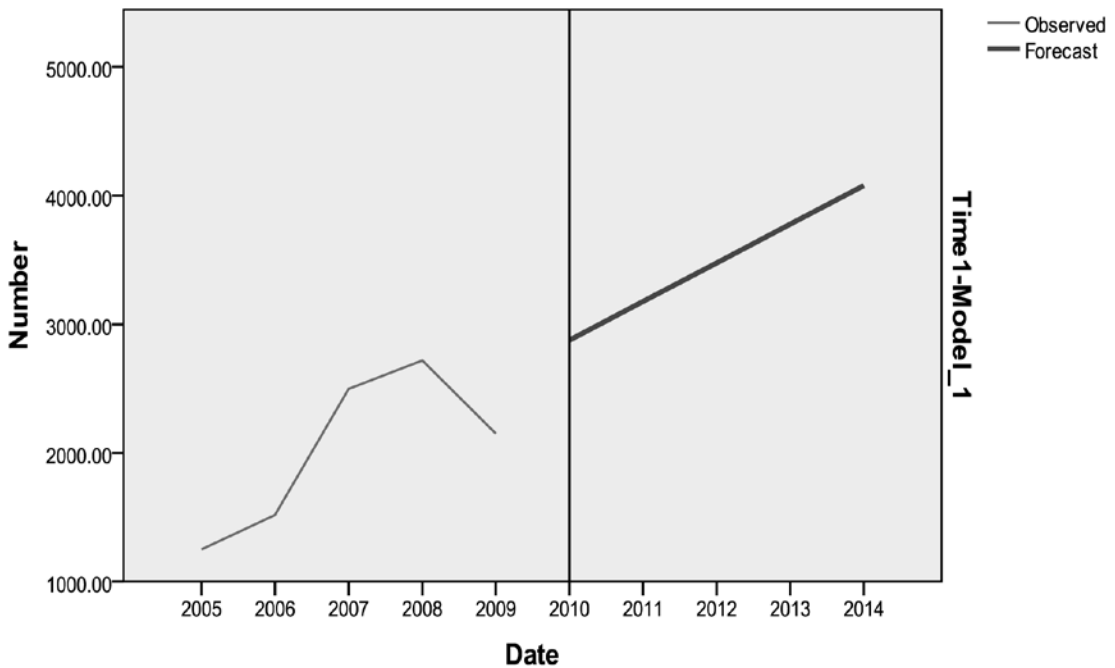


Figure 1. Actual Export Value in 2005 – 2009 and Projected Export Value in 2010 – 2014 from time series method with Exponential Smoothing Technique by Holt

Figure 1 is a graph showing export value. The graph on the left shows varied export values since 2005 – 2009, while the one on the right shows projected export value by using a statistic program. It indicates that the trend in export value from 2010 – 2014 will positively increase each year.

Hypothesis 6: There is a significant difference in export values for Thai automotive/auto parts and accessories products before TAFTA and after TAFTA

Table 6. Results from the Paired Sample T-Test for the differences of export values for Thai automotive/ auto parts and accessories products before TAFTA and after TAFTA

Test Method	T-test	Sig.
Paired Sample T-Test	-5.260	0.006

The test result showed significant difference, at 0.05 level of significance, between export values for Thai automotive/auto parts and accessories products before TAFTA and after TAFTA.

Discussions

From the analysis on attitude toward trading with Australia before TAFTA on the following topics: increased sales order per year; increased rate of return per year; increased average export volume per year; less complicated custom procedures; encountering non-tariff barriers; and intensity in competition; it was found that the exporters were moderately affected. This was supposedly due to the fact that this was the first FTA Thailand has ever officially participated in. Several exporters still lacked the understanding and knowledge about free trade area and some entitled privileges. They,

nevertheless, highly anticipated that TAFTA would be a great opportunity to trade and invest in the automotive/ auto parts and accessories industry. On the other hand, when asked about how they were affected after TAFTA was in effect, they responded that they were highly and positively affected. The effects were on the topics as follows: increased sales order per year; increased rate of return per year; increased average export volume per year; less complicated custom procedures; and intensity in competition. Apparently, instead of decreasing, the non-tariff barriers stayed at the same level. This implies that, although the tariff was being reduced or exempted, there were other barriers making the trading procedures more complicated than just the rule of origin issue stated in the agreement. This finding is consistent with the study by Rugman (2004) which stated that business operation of some businesses were affected by barriers after FTA had been in effect, leading to more operational procedures. Furthermore, the study by Suh & Khan (2003) also confirmed that big countries participating in FTA with smaller ones were fully aware that they would be losing benefits from tariffs, which could have been collected from those smaller countries, once the agreement was settled. The agreement would also put more burdens on their local entrepreneurs. This ultimately urges these big countries to set other non-tariff barriers to protect the domestic manufacturers or entrepreneurs. The study reported that Australia uses the policy on rule of origin to screen Thai exporters, which was in accordance with the study by Lektip (2001). In the study, it was found that there were several cases where each member country tended to focus extensively on protecting its own benefits and forgot to consider the long-term benefits the in-depth cooperation might offer. Australia, likewise, has used the non-tariff barriers partly to protect its benefits. Although export value to Australia increased due to TAFTA, exporters

had to encounter difficulties thus were force to adjust in order for their businesses to survive. This unavoidably became a burden to Thai exporters. If intensely investigating the trade barriers before TAFTA was in effect, it could be found that exporters were operating and strategizing their businesses normally and the number one imported product in Australia was automotive/auto parts and accessories products (Department of Export Promotion, 2010). Custom procedures were not too complicated, besides exporters could always outsource it to specialists, which made it convenient. The study reported only minor negative impact from non-tariff barriers because, earlier, Australia was using tariff barriers before TAFTA (Department of Trade Negotiations, 2010). Since TAFTA was effective on January 1st, 2010 (Department of Trade Negotiations, 2010), Australia's tariffs on 5,083 items (83.21% of the total products), which accounted for 83.08% of import value from Thailand in 2003, were immediately reduced to 0%. Tariffs on other 786 items (12.86% of the total products), except apparel products (Department of Trade Negotiations, 2010), will be similarly reduced within the period of 5 years (2010). This was supposed to be beneficial to Thai automotive/auto parts and accessories exporters. For example, the tariff on passenger cars were previously 15% but was reduced to 0% after TAFTA, and the same goes to all automotive items (Department of Trade Negotiations, 2010). This immediately gave Thai exporter price competitive advantage, since most Australians buyers were price conscious rather than brand conscious or product-origin conscious. Tariffs on some items were previously only 5% and was reduced to 0% in 2010 (Department of Trade Negotiations, 2010). In the future, Thai exporters have a potential to monopolize the market, due to this competitive advantage. Competitors from other countries such

as China still lack quality standards. Additionally, manufacturing bases in other countries are operating at lower standard compared to those established in Thailand. In order to prevent monopoly as well as to maintain market balance and good relationships with other countries for other possible FTA in the future, Australia was compelled to set non-tariff barriers on the rule of origin. This is also one of the actions to protect its citizen and benefits. The rule of origin policy affects Thai exporters from the beginning of the manufacturing process, e.g. sourcing, purchasing, transporting, and storing, etc. At every process, the originality and details of each party involved must be explicitly recorded and declared. Other than the manufacturing process which must be improved to meet the standards, manufacturers have to meticulously manage and control each and every party entering or exiting the factory. In spite of the tariff reduction, all of these extra processes required are considered as additional costs that exporters have to carry, which apparently could lower their competitiveness in the market. It should be noted that, for both countries to fully benefit from FTA, mutual benefits should come first, while investigating all aspects involved thoroughly is also crucial. All sectors concerned with the benefits or impacts of the agreement should either provide important information to the negotiating committee, or be part of the committee, or be invited to monitor the negotiation, so that the negotiation will truly be beneficial to both parties. Cooperation between public and private sectors are necessary to set guidelines and policy to increase competitiveness of the country's industrial sector and exporters. Since they already have labor cost advantages, the development could be on other aspects such as innovation development, developing organizations to become learning organizations always ready to adapt to market changes, developing knowledge management

programs for organization and personnel, as well as establishing an organization with clear objectives to support and assist Thai entrepreneurs, with continuous monitoring and assessment.

Regarding the attitude of Thai automotive/ auto parts and accessories products toward trading in Australia before TAFTA, trading opportunity was ranked high because Australia was Thailand's major export destination for automotive/auto parts and accessories products. In addition, they were hopeful because of the government's policy on investment and specialized labor at lower cost. After TAFTA, exporters' attitude was positively increasing, indicating that they had high expectation that the agreement would create more business opportunities. They believed that an official agreement signed by the governments of both countries would mean secure and sustained investments. Joint venture opportunities with foreign investors were also anticipated in order to gain mutual benefits from the agreement. While FTA has created positive attitude among investors, negative attitude concerning intense competition has also arose.

After hypothesis testing, it was found that, comparing between before TAFTA and after TAFTA, there was a significant difference in business operations of Thai automotive/auto parts and accessories exporters. The result resonated with a research by Rugman (2004) which stated that FTA would result in higher trading activities and export volume between participating countries, due to the tariff reduction from the agreement.

Exporters' attitude, before and after TAFTA, was also significantly different. This was consistent with the theory on attitude by Allport (1935) stating that "An attitude is a mental and neural state of readiness, organized through experience, exerting a directive or dynamic influence upon the individual's response to all objects and situations with which it is related." In

this case, it is the mental state of the exporters directing their responses to different aspects positively (likes) or negatively (dislikes). The aspects included activities, procedures, individuals, or organizations, etc. related to the export business operations. These attitudes were derived from direct experiences encountered or the feeling after identifying with past experiences then adopting the like or dislike responses as one's opinion. According to these three components, the components in each exporter naturally varied, hence there was a variety of attitude. As for the positive responses, the study results showed significant differences - comparing between before and after TAFTA - for the following topics: smooth negotiations with Australian business partners; sufficient support from government organizations; and more convenient and less complex trading agreement. The negative responses received after TAFTA was concerned about more intense competition. Thailand would become a desirable investment destination for foreign investors who wish to exploit from tariff reduction policy. For example, tariff for trucks were previously 4-5% and reduced to 0%, whereas small passenger cars were 15% and also reduced to 0%. Consequently, foreign investors would be interested in establishing their manufacturing base in Thailand to export to Australia, creating more competition. Trading opportunities in Australia and joint venture opportunities with Australian investors to increase business potential was similarly ranked high, for both before and after TAFTA. The mean after TAFTA was, however, slightly higher than that before TAFTA, showing more confidence after the agreement was settled. This was due to the fact that there were a number of Australian investors interested in investing in Thailand because of the benefits offered from the agreement. Being Australians, they had advantages in better understanding the Australian market and

regulations. Investing in Thailand, therefore, gave them competitive advantages. Thai exporters were also able to expand their businesses rapidly through joint venture as well as creating more jobs in the automotive industry. When thoroughly investigating the reason the mentioned topics were ranked high for both before and after TAFTA, we finally found that Australia has been a vast market for Thailand's automotive/auto parts and accessories products since before the initiation of TAFTA. A number of foreign investors have been investing in Thailand due to the low labor cost and their specialized skills. Therefore, joint venture opportunities existed even before the agreement; the attitude before and after TAFTA were similarly equal. As for the impacts, comparing before and after TAFTA, on business operations, there were significant correlations. This is because the study was conducted focusing on automotive/auto parts and accessories products which were mostly exported to Australia as the key market. Additionally, these businesses were practicing their business operations normally before TAFTA. Once the agreement was finalized, rules and regulations as well as business structure might have to be adjusted. For example, the rule of origin was enforced and pressuring exporters to plan and develop their traceability process from the product origin to material source, while controlling quality and product safety for the highest satisfaction of Australian consumers.

The attitude before TAFTA was correlated to that after TAFTA, which was in accordance with the attitude theory mentioned earlier. Thus, it can be concluded that direct or indirect experiences define an individual's positive or negative feeling which later become their positive or negative behavioral responses. Ultimately, the result shows that the attitude before TAFTA was unavoidably related to the attitude on doing business in Australia after TAFTA.

The results from this study also indicated that, before TAFTA, exporters' attitude toward trading and investment opportunities were high. Naturally, the attitude changed after the agreement was settled. This is due to the real situations exporters had to experience and find out whether FTA really created satisfactory investment opportunities. It was discovered that trading and investment activities actually increased after TAFTA was finalized which was satisfactory and consistent with the attitude before TAFTA. There was, thus, a positive correlation. TAFTA also positively affected the export trends in automotive/auto parts and accessories products. The researcher have studied data in 2004 as well as analyzed data from Table 5.1, in order to summarize situations in 2005, and found that export value was increased from \$752.0 million to \$1,250.0 million (66.22% growth rate) from 2004 to 2005, respectively. The reason export value almost doubled during that year was the tariff reduction mentioned earlier enabling exporters to cut their prices which increased their sales opportunity and created more demand in Australian consumers to buy more cars. In 2006, the growth in export value was 21.38%, resulting in the export value of \$1,517.2 million. The highest growth rate was during 2007 which was 64.62%, resulting in the export value of \$2,497.7 million. Growth rate in 2008 was still positive at 8.82% with export value of \$2,718.1 million. The crisis in the world's economy toward the end of 2008 carrying on to the first, second, and third quarter of 2009 caused Thailand's economy to drop 7.1%, 4.9%, and 2.7%, respectively. The fourth quarter, however, surprisingly showed growth at 5.8% which was the first growth shown since the beginning of 2009 (Office of the National Economic and Social Development Board, 2009). This was due to the rapid recovery in the world's economy accompanied by the stability in Thailand's politics. Such low export value

in 2009, \$2,150.9 million (-20.8%), was thus perceived as a short-term economy crisis, since the data of 2010 from January – February indicated that, comparing to the same period in 2009, the growth rate was as high as 145.94%. This implied that export for automotive/auto parts and accessories products to Australia would also recover. The researcher has inputted the data into the time series prediction equation and the result showed that in 2010 the predicted export value was \$2,875.72 million (33.69% from 2009). The prediction equation yielded continuous growth every year for 2011 – 2014, showing positive effects of TAFTA on the automotive/ auto parts and accessories export. Furthermore, the export value of automotive/auto parts and accessories products before and after TAFTA were different at 0.05 level of significance. This resonated with a research by Sohn & Lee (2006) indicating that FTA would increase income or value in the member countries participating in an agreement. Originally, TAFTA was initiated to encourage more trading and investment by reducing tariff in key export products of both countries. The results have reportedly been satisfactory for the past five consecutive years in automotive/auto parts and accessories export value, which exceeded one billion US dollars. On the other hand, export values in the previous five years before TAFTA were in only hundreds of million US dollars. Ultimately, it can be concluded that TAFTA was successful in creating more income or export value in Thai automotive/auto parts and accessories industry.

Suggestions

Suggestions from this research study are as follows:

1. Suggestions from this research

Since most samples did not find that TAFTA supported them regarding the non-tariff barriers, public or private organization should focus on finding solutions for this issue. They can initiate projects in helping entrepreneurs to upgrade their operational and product standards, in order to meet high standards set by the Australian government.

2. Suggestions for future research

For those who might be interested in conducting further research on this topic or related to this topic, the researcher would like to suggest the following topics to be considered:

2.1 Analysis on FTA between Thailand and other countries, in order to compare the advantages and disadvantages,

2.2 Study on other factors such as manufacturer's performance, international trade policy, etc., in order to gain more knowledge in other aspects.

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