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   REVIEW OF LITERATURE

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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

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   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

A STUDY ON STATUS AND PROSPECTS OF INDIA - THAILAND FREE TRADE AGREEMENT

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ABSTRACT

India and Thailand signed a free trade agreement in 2004 with an early harvest scheme for 82 items and this was perceived as mainly supporting MNC companies who manufacture TV, Automobile and Refrigerator and does not support other Industry. In this article, we tried to analyse this FTAs current status as well as its effect on Total trade. Current status of this FTA combined with India Asean FTA where Thailand is also a part now is analysed. Thailand from this year extends zero duty on 67% of items and India will reduce to zero level on 64% of item from next year. Indian textiles market in unique and normally Indian producer realises marginally higher prices in domestic market than in export .when we talk of zero duty in Thailand apart from this buyer has to pay only 7% vat over this where as in India still they have to pay 18%.

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KEYWORDS

international trade, free trade agreement, India Thailand free trade agreement, service sector trade, textile trade.

1.0 INTRODUCTION

Majority of the Indian Government policies are protecting Textile industry assuming that, if they are opened up fully, it would be dumped with cheap product from Asia. Today, the only two countries where Textiles can be competitive are China and India. As such every country's competitiveness in each sector needs to be analysed individually, and cannot be generalized. India and Thailand are considered as developing countries with significant differences in geographical areas and population. India has the total land area more than 6 times larger than Thailand i.e. the total land area of India is 3,287,263 sq. km., whereas Thailand has a total land area of 513,114.6 sq. km. According to the latest statistics, Indian population is over 1 billion while the population figure in Thailand is only about 60 Million. Key economic indicators are, GNI per capita for 2010 for Thailand is at USD 4210 where as for India it is 1340, GDP per capita growth for 1990 to 2010 for Thailand was 2.9% and for India it was 4.9% and the inflation for the same period of Thailand was at 3% and India was at 6%. Further to the background information on FTA, comparative accounts of the economic indicators of Thailand & India in the year 2010 have been given in Table 1.0.

TABLE 1.0: THE ECONOMIC INDICATORS

Details	Thailand	India
GNI per capita (US$), US$, 2010	4210	1340
GNI per capita (US$), PPP US$, 2010	8240	3560
GDP per capita average annual growth rate (%), 1970-1990	4.7	2.1
GDP per capita average annual growth rate (%), 1990-2010	2.9	4.9
Average annual rate of inflation (%), 1990-2010	3	6
% of population below international poverty line of US$1.25 per day, 2000-2009*	11	42
% of central government expenditure (2000-2009*) allocated to: health	14	2
% of central government expenditure (2000-2009*) allocated to: education	20	3
% of central government expenditure (2000-2009*) allocated to: defense	8	13
ODA inflow in millions US$, 2009	-77	2393
Debt service as a % of exports of goods and services, 1990	14	25
Debt service as a % of exports of goods and services, 2009	7	5
Population	66,720,153	1,241,491,960
Area in sq km	513120	3,287,263
Density per sq km	132	370

Source: http://www.unicef.org/sowc2012/pdfs/SOWC-2012-TABLE-7-ECONOMIC-INDICATORS.pdf

China started negotiating FTA in 2001 with ASEAN and Thailand supported this strongly from beginning. In 2004 China started an early harvest scheme (EHS) of few items for duty reduction and in 2006 duty was reduced to zero for this EHS items. In 2010 the Zero duty was enlarged for all items and brought under FTA. Now it is called as Comprehensive Economic Program (CEP). Compared to China's status India is a late entrant in this area. China is pursuing an FDI-led, labor intensive manufacturing exports strategy (Goodman, 2004), There is a growing body of literature suggesting that India's economic structure is largely complementary (service-oriented) to ASEAN economies (light manufacturing) with significant areas of mutual interest, so India should focus in this area.

Thailand's major 2 supplying countries for 35 % of their import items are Japan at 20% and china at 10%. In case of china their price is very competitive where as Japan has the largest FDI in Thailand and the Japan invested companies bring in majority of their items from Japan. India should consider both this option like make their price competitive as well as increase the JV/FDI in Thailand, by which India's trade can be increased. The total trade between India and Thailand for 2012 is at 9 billion USD and it is expected to grow by 2015 to 19.3 billion USD and the trade in textiles is currently at 326 million and it is expected to grow by 2015 to the level of 517 million USD. In service sector Thailand is importing 51 billion USD from world and India is exporting 137 billion USD in 2012 to world.

In today's situation when service sector is added with free movement of people and free movement of property rights it is called common economic program. Nevertheless, a Ficci-Deloitte study on the subject confirmed that once the service sector agreement comes into effect between India and Thailand, Indian entrepreneurs would get considerable opportunities in services like telecommunications, radio, television, consultancy, architectural, legal, accounting, education, health and social work.

In this background, the study was conducted to study the status, performance and prospects of total trade, textile trade and service sector trade of both the countries under the free trade regime.

2.0 ABOUT THE STUDY

An FTA is a bilateral trade agreement in which, the signatory members agree to remove tariffs across member states, while continuing to maintain independent tariff regimes on imports from other countries. It is the preferential nature of an FTA, which primarily concerns economists, when analyzing its trade and welfare effects.

Presently, bilateral trade between India and Thailand is at a low level. Both imports and exports between these two countries are small and mainly characterized by intermediate products necessary for the production of final products. In the year 1990, the total bilateral trade was about US Dollar 621 Million. By the year 2000, it increased to about US Dollar 1,169 Million and by 2012 total bilateral trade stands at 9 billion USD and it is expect to grow to 19.3 billion USD by 2015. For 2012 in India's exporting countries Thailand comes at 25th place and in India's importing countries Thailand comes at 24th place. Apart from free trade (the free movement of goods), other issues are worldwide immigration (the free movement of people) and free intellectual property rights (the free movement of ideas and technology), this two are key factors to be considered in today's international trade. While the World Trade Organization agreements and the new generation of bilateral free trade agreements promote free trade, they restrict the movement of people and intellectual property, free movement in these two areas would benefit developing countries. This study focuses on identifying advantage and disadvantage of existing and ongoing current trade agreements between two countries in total trade and with specific reference to Textiles & service sectors

3.0 INDO-THAI FTA – AN OVERVIEW

India Thailand signed a free trade agreement in 2004 and implemented EHS (early harvest scheme) of 82 items based on 6 digit HS code no , which mainly consist of picture tube/ Refrigerator / plastic raw material , semi precious stones , gear boxes , seats etc . The list was covering approximately seven per cent of the bilateral trade at that time and the duty reduction was initiated from 1st march 2004 and by 2006 duty was reduced to zero for all 82 items. In this list only item which was of interest to Textiles were nylon 6 chips, but the main advantage was enjoyed by MNC's who are in Automobile, TV and Refrigerator manufacturing. Subsequently there were so much discussion to expand this list, However the perception and data suggest that due to high import duty from India and market size, when it is reduced, the import growth in India is higher than Thailand and, trade balance is in deficit for India.

Indian textile market is always unique in nature. Normally an Indian textile producer realises higher price in domestic market than in export market, as well as their domestic price is marginally higher than international price. This style of price prevails in many countries including Thailand. However the domestic market size of India is so big that the producer strongly decides to target in domestic market, where he has a comfort level than struggling to export.

With respect to import duty, for India, let us say if the basic value of imported item is 100 means, first we need to add 1% value for landing charge and on this value @101 duty of 12% in lieu of excise duty is added to make it as 113.1 now on this 13.1 value an education cess of 3% resulting to 0.5 level is added to make it 113.6 and 4% vat is added to this value of 113.6 to make it to 118.2 means the additional expenses what an importer has to pay is **18.2%** when the basic customs duty is at zero level , In case of Thailand if import duty is zero percentage means customer has to pay only **7%** vat which is comparatively lower than India.

Further, Thailand has agreed to reduce the peak duty from 5 to 30% to 0 duty level for 67% of items on the HS list from this year, and for another 9% of items, where the duty will be reduced from 18% to 30% level to 5% this year. This will be further reduced to 0% from 2017 onwards. India had agreed to reduce for 63.9% of items (by HS code no.) of peak duty from 10 to 15 % level to 2.5% level this year and further it will be reduced to 0 level from next year. WRT fabrics, this comes under 2nd track of 10% items and duty is being reduced to 7% & 4% respectively this year and this will be further reduced to 0 levels from 2016 onwards.

4.0 LITERATURE REVIEW

The relevant and related literatures were gathered on the chosen research area from the available sources. It has been found that not much work has been done on this particular area, due to various palpable reasons. Most data were gathered from The *International Trade Center (ITC) trade map of statistics* http://www.trademap.org/Country_SelProductCountry_TS.aspx. The International Trade Centre is the technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for operational, enterprise-oriented aspects of trade development. Data's were collected from various sources, and 10 more sources are listed in the thesis.

The negotiations between India and the ASEAN representatives during the past few years have created considerable interest among researchers across the world. Pal and Dasgupta (2009) studied the tariff schedule of India and made a preliminary evaluation of the India-ASEAN FTA. By analysing India's commitment schedule, and by studying the production structure of the ASEAN members, this study concluded that sectors such as tea, spices, coffee and rubber will be negatively affected. The marine products, textiles and garments, and auto components industries are also likely to face increased competition. The study points out that the net effect of the trade agreement crucially depends on the ability of the Government of India to redistribute some of the increased wealth gained from this trade agreement to those industries negatively affected by the agreement. Pal and Dasgupta (2008) concluded that, on the basis of a similar study, India was unlikely to benefit in the short term from the India-ASEAN FTA. They pointed out that ASEAN was not a natural trading partner of India, and, unlike China, has not established close relations with the region. However, the agreement may make strategic sense in the long term, if India looks at the option of becoming a hub for services exports to the ASEAN region.

5.0 OBJECTIVES AND METHODOLOGY

5.1 OBJECTIVES

Keeping in mind the aim and purpose of the study, the following specific objectives were formulated:

1. To identify the potential of both the countries on **Total trade, Textile trade**, if all items are freed and brought under FTA umbrella and its effect on trade creation, trade diversion, welfare effects and tariff loss.
2. To identify the top 16 items constituting 80% of import & export of both the countries in total trade & textile trade in particular for analysis
3. To analyse the service sector import & export for past 10 years and analysis of service sub-sector for its growth.
4. To analyse the status of trade surplus experienced by India and Thailand under FTA and identification of commodity group for trade expansion and to identify areas to correct this trade surplus/deficit
5. To analyse perception of manufacturers on the existing and ongoing current trade agreements between two countries
6. To identify the emerging challenges & opportunities of FTA agreement between two countries and explore the avenues to enhance trade cooperation in the prospective industrial sectors
7. To find out challenges faced by both countries/entrepreneurs to enhance their cooperation and bilateral trade, identifying other areas for cooperation and to suggest needed measures for strengthening trade between both countries.

5.2 METHODOLOGY

5.2.1 NATURE OF THE STUDY

The nature of the study is Descriptive and Analytical. The state of affairs as it exists in the operation of the free trade agreement between India and Thailand was studied in depth. The qualitative as well as empirical data relating to the performance of various industrial sectors, coming under this specific agreement in both the countries were analysed and the inferences made there from have been presented.

5.2.2 DATA

The primary sources of data used for this study is Secondary in nature. Primary data were collected on a limited scale from the key industrialists of both the countries to get their perception about this agreement. The list of secondary sources explored to draw conclusions has been presented in the bibliographic section.

5.2.3 DATA ANALYSIS

STATISTICAL MODELS/TOOLS USED FOR ANALYSIS

1. Considering the data availability and relevance of the study, the Partial Equilibrium Modeling tool, based on World bank/UNCTAD **SMART (Software for Market Analysis and Restrictions on Trade developed by WITS** (World Integrated Trade Solution) was used to analyse the data. These simulation tools are used to calculate the impact of tariff changes on trade flows (trade creation and diversion), tariff revenues, and consumer welfare.
2. For trade forecast we used two forecasting statistical tools like linear **curve fit method** and **compound curve fit method** and the results were compared to make sure the errors are eliminated.

The following analyses were carried out:

1. Calculation of **percentage change** of share now and expected trade growth projection up to 2015 for total trade, textile trade.
2. Predict the export and import in future up to 2015 by linear curve fit method and compound curve fit method
3. Import and Export **ratio** of commodities
4. Top 20 item imported by Thailand to be compared with quantity exported by India to the world to see whether India has potential to export that item with quantity imported by Thailand from world & vice versa .
5. To identify whether there is potential to free above item of point 4 and if freed how much trade will increase between this countries
6. Thailand & India's service import and export data for 10 years were analysed to find Sub-Sector wise growth potential. Data of service sector Import and export by world and analsyed to find India and Thailand's status in it.
7. Analysis of general duty, current duty level and expected duties based on FTA.
8. Conducting a perception survey of various stakeholders and consolidating for presentation

6.0 ANALYSIS AND FINDINGS

The findings and conclusions arrived from the analysis of data, have been presented here under for Total trade

With respect to total trade on import & export of Thailand with India and the trade of world countries with these two countries were analysed. It was found that in case full FTA is implemented following effects will be there on total trade:

1. **Effect of FTA- EHS** (Early Harvest Scheme of India- Thailand which was implemented from 2004) reveals that there is a yearly increase in percentage of EHS trade. It has been observed that the implementation of the Indo-Thai bilateral FTA in terms of the EHS led to significant industrial restructuring in the operations of not only Japanese corporations, but also South Korean and Indian MNCs. For instance, Toyota was reportedly restructuring its operations in Thailand and India, under which some models of vehicles would be sourced from Thailand for the Indian market and gear boxes exported to Thailand from India. A similar restructuring was on in Sony's operations in India and Thailand. On the other side, Hyundai was making India a regional and global hub for compact cars and was to source them from here. Honda, which has built up a sizeable capacity in India for two-wheeler production, might use it as a regional base for them while sourcing some models of cars from Thailand. Some Indian companies are also developing their regional production networks across the region. Indian companies are looking at Thailand as an important investment destination both for its domestic market and as a gateway to the other ASEAN countries. Tata Motors, Tata Consultancy, Mittal Group, Tata Steel and Satyam Computers are among the major Indian players in Thailand.
2. **The SMART analysis of trade reveals**, when India reduces its duty to zero level the effect is as follows. Total trade creation effect for India will be in Hs code no 84 (37 mil) 57 (7.7 mil) 68 (6.6 mil) 85 (6.3 mil) & 15 (4.4 mil), 40 (4.3 mil) 21 (4.1 mil) & 27 (3.9 mil) with a total trade creation of 1.2 billion USD and the highest trade diversion takes from Sri Lanka on crude palm oil (HS no 15)and second level at Singapore , Korea and Japan on fuel oil (HS no 27) next one on hoist (HS no 84) from China . When Thailand reduces its duty to zero level, major trade creation effect is in HS code 87 (4.6 mil) 23 (1.9 mil) 15 (1.5 mil) 30 (1.0 mil) 84 (0.5 mil) 71, 85 & 62 (each with 0.2 mil) with a total trade creation effect of 10.8 mil USD and the highest trade diversion takes on HS code no 30 medicaments , 85 water turbine generator, 62 cotton shirt & 29 sugar. All 4 HS code trade is diverted from china. Total trade creation effect for India's import from Thailand is 1.4 billion dollar where as for Thailand's import from India, trade creation effect is only 200,000 USD. Apart from this, even after adjusting the duty reduction, there are products which Thailand is buying from china and Fareast at much lower price, so the trade is not getting diverted. For India's import from Thailand, the revenue loss is 0.3 billion USD and welfare creation is 108,000 where as revenue loss for Thailand import from India is 99,000 USD and welfare creation is 17,000 USD
3. **Thailand's import from India analysis** reveals**,** in 2012 it was at 3.5 billion USD and top 15 items which covers approximately 87% of trade were short listed and analysed. India's export to Thailand , top 5 supplying countries to Thailand are, Japan, China, UAE, Malaysia, USA and top 5 exporting countries for India are UAE, USA, china, Singapore, Hong Kong. In top 5 exporting countries for India, Thailand does not come even in one HS code , as well as India comes only in 3 HS code in top 5 supplying countries for Thailand. Top 5 commodities which has almost 50% of trade consist of HS code no 71 pearls (0.6 billion USD or 17%), HS no 84 machinery, boilers (0.35 billion USD or 10%), HS no 23 residues and waste food (0.25 billion USD or 8%) HS no 87, vehihiles (0.23 billion USD or 8%) HS no 72 iron n steel (0.23 billion USD or 8%). Thailand import from India as a ratio of Thailand import from world is at 1.39% and 1.2% as India's export to world and at a very low level now.

In the below table we analysed the total trade of the products which Thailand Imports from India top 16 items which covers approximately 80% of trade along with top 5 exporting countries for that HS code for India and also top 5 supplying countries for Thailand.

TABLE 6.1: ANALYSIS OF THAI IMPORT FROM INDIA FOR 2012 WITH SUPPLYING AND EXPORTING COUNTRIES

No	Product Code	Product label	Thai Import from India 2012	Top 5 exporting countries for India	Top 5 supplying countries for Thailand
	TOTAL	All products	3237246	UAE, USA, China, Singapore, Hong Kong	Japan, China, UAE, Malaysia, USA
1	'71	Pearls, precious stones, metals, coins, etc	496612	UAE, Hong Kong, USA, Belgium , Buonas Aris	Switzerland, South Africa, Japan, Australia, Hong Kong
2	'84	Machinery, nuclear reactors, boilers, etc	411537	USA UAE, Germany, UK, Singapore.	Japan, China, Malaysia, UAE, Germany
3	'23	Residues, wastes of food industry, animal fodder	250575	Japan, Vietnam, China, Bangladesh, Pakistan	Brazil, Argentina, India , USA , China
4	'87	Vehicles other than railway, tramway	235682	Sri Lanka , USA, South Africa, UK, Italy	Japan, Indonesia, China , Germany, Korea
5	'72	Iron and steel	228793	China, USA, Belgium, UAE, Italy	Japan, China, Korea, Russia, Taipei
6	'29	Organic chemicals	199207	USA, China, Indonesia, Germany, Netherlands	China, Japan, Singapore, USA, Korea
7	'03	Crustaceans, molasses, aquatic invertebrates, Fish,	106513	USA, Vietnam, Japan, China, Spain	Taipei. USA, Indonesia, Japan, Korea
8	'30	Pharmaceutical products	96840	USA, Russia, UK, South Africa, Nigeria	USA, Germany , Switzerland, France, UK
9	'85	Electrical, electronic equipment	94577	USA, UAE , Netherlands, Germany, Nigeria	China, Japan, Malaysia, Taipei, USA.
10	'10	Cereals	90347	UAE, Saudi Arabia, Iran, Indonesia, Kuwait	Australia, USA, India Canada, Ukraine.
11	'52	Cotton	69707	China, Bangladesh, Pakistan, Sri Lanka,	China, USA, Australian, Brazil, Vietnam
12	'39	Plastics and articles thereof	68863	China, USA, Turkey, UAE, Italy	Japan, China, Taipei, USA, Malaysia
13	'02	Meat and edible meat offal	67988	Vietnam. Malaysia, Egypt, Saudi Arabia, Jordan	India, Australia, New Zealand, USA, Denmark
14	'63	Other made textile articles, sets, worn clothing etc	64621	USA, Germany, UK,UAE, France	China, India , Bangladesh, Singapore, Japan
15	'89	Ships, boats and other floating structures	63168	Singapore, UAE, USA, Brunei, Sri Lanka	Singapore, Marshal island, Japan, China, Panama
16	38	Miscellaneous chemical products	63,070	USA, Brazil, China, Germany, Netherlands	Japan, China, USA, Germany, Malaysia
		top 16 item to total Thai imp fm India	2608100		
		percentage of top 16 item to total Thai imp fm India	80.6		

Source; UN Comtrade

4. **Thailand's export to India analysis** reveals, in 2012 it was at 5.5 billion USD and top 5 supplying countries for India are China , UAE, Switzerland, Saudi Arabia, USA, Iraq and top 5 exporting countries for Thailand are China, Japan ,USA, Hong Kong & Malaysia. In the top exporting countries for Thailand, India come only in 5 HS code, as well as Thailand comes in only 3 HS code as top supplying country for India. Top 6 commodities which has almost 60% of trade consist of HS no 84 machinery, boilers (1.3 billion USD or 24%), HS no 39 Plastics (0.57 billion USD or 10 %) Hs no 85 electrical & electronic equip (0.53 billion USD or 10%) HS no 29 organic chemical (0.47 billion USD or 8%) HS no 40 rubber n article (0.44 billion USD or 8%). Major exporting countries for India for 7 HS code is USA and for 3 HS code China and for 2 UAE and for rest each one with Japan, Singapore, Sri Lanka and Vietnam. A major supplying country to India for 10 HS codes is China and balances each one from Indonesia, Myanmar, Switzerland and Korea. With respect to Thailand, Major supplying countries for Thailand is Japan for 6 HS codes followed by China for 4 HS codes and one each with Brazil , Switzerland, India, Singapore, Taipei, Australia. Major exporting countries for Thailand is china for 7 HS codes followed by Australia for 2 HS codes and one each with Hong Kong , USA , Switzerland, Japan, India and Malaysia .Thailand's export to India as a ratio of Thailand's export to world is at 2.4% and at 1.2 % as India's import from world and at a very low level now.

In the below table we analysed the total trade of the products which Thailand export to India top 15 items which covers approximately 87% of trade along with top 5 supplying countries for that HS code to India and also top 5 exporting countries for Thailand.

TABLE 6.2: ANALYSIS OF THAI EXPORT TO INDIA FOR 2012 WITH SUPPLYING AND EXPORTING COUNTRIES

Analysis of **Thai export to India** in 2012 and it is top 5 supplying country to India for that product and top 5 exporting country for Thailand					
No	Product Code	Product Label	Thai export to India 2012	Top 5 suppliers to India	Top 5 exporting countries for Thailand
	TOTAL	All products	5474385	China, UAE, Switzerland, Saudi Arabia USA , Iraq	China, Japan, USA, Hong Kong Malaysia
1	'84	Machinery, nuclear reactors, boilers, etc	1299492	China, Germany, Japan, USA, Italy	China, USA, Japan, Hong Kong, Malaysia
2	'39	Plastics and articles thereof	571750	China , USA, Korea, Germany, Thailand	China, Japan, Indonesia, Vietnam, India
3	'72	Iron and steel	541310	China, Korea, Japan, USA ,UK	Hong Kong, India. Malaysia, Laos, Indonesia
4	'29	Organic chemicals	447041	China, Saudi Arabia , Singapore ,USA , Korea	China, Indonesia, India , Singapore, Taipei
5	'85	Electrical, electronic equipment	431494	China, Germany, Korea, USA, Japan	USA , Japan, Hong Kong, China, Singapore
6	'40	Rubber and articles thereof	403316	Korea, China, Thailand, Japan, Indonesia	China, USA , Malaysia, Japan , Korea
7	'71	Pearls, precious stones, metals, coins, etc	388903	Switzerland, UAE, Hong Kong, Belgium , South Africa	Switzerland, China, USA, Australia , Germany
8	'87	Vehicles other than railway, tramway	291536	China, Germany, Korea, Japan, USA	Australia, Indonesia, Malaysia, Japan, Saudi Arabia
9	'76	Aluminum and articles there of	100314	China, UAE, UK, Saudi Arabia, Germany	Japan, USA, India, Korea, Philippines.
10	'73	Articles of iron or steel	98839	China, Japan, Germany, Italy, Malaysia	Australia, Japan, USA, Norway , Indonesia
11	'32	Tanning, dyeing extracts, tannins, derives, pigments etc	53932	China , Taipei, USA, Germany , Switzerland	China, Indonesia, India , Hong Kong, Vietnam
12	'59	Impregnated, coated or laminated textile fabric	42093	China, Taipei, Thailand, Korea, Germany	India, Vietnam, Indonesia, China, Japan
13	'44	Wood and articles of wood, wood charcoal	43124	Myanmar, Malaysia , New Zealand, China , Papua new guinea	China, Japan, Vietnam, Malaysia
14	'15	Animal, vegetable fats and oils, cleavage products, etc	38144	Indonesia, Malaysia , Argentina , Ukraine, Brazil	Malaysia, Germany. Myanmar, Cambodia, Korea
		Top 15 item to Total Thai export	4751288		
		Percentage of top 15 in total exp	87		

Source; UN Comtrade

7.0 RECOMMENDATIONS AND CONCLUSION

Based on the analysis and findings of the study, the following recommendations have been made to improve the performance of total trade, textiles and service sectors under the free trade agreement:

1) **Total trade & Full FTA** ; Under full FTA expected total trade for 2015 will be 19.3 billion USD and in this Thailand export to India will be 14 billion USD and India's export to Thailand will be 5.3 billion as there is tremendous trade growth we recommend to have this FTA extended to complete trade except few items. For Full FTA both the countries may not accept, as they want to protect their agriculture sector and few other products like palm oil , natural rubber, tea etc. So we propose to allow some 400 products in negative list similar to Singapore &Sri Lanka's FTA and should bring the balance of trade under full FTA.
2) **EIC cooperation** ; It has been highlighted that Indian exports, especially in food and fishery products are facing stiff barriers in the developed countries on account of WTO agreements. The problem is compounded as the export consignments are not only rejected on the grounds of non-conformity to standards but are also being destroyed. It also throws open another dimension of cooperation whereby Indian institution like the Export Inspection Council (EIC) could enter into an agreement with its Thai counterpart in order to harmonies the standards of the two countries for exporting activities.
3) **Service sector;** When there is full FTA, excluding above negative list items, as the trade is growing, it was recommended to implement it, as well as during this trade increase trade balance for India comes in deficit, various reason for the same is discussed in detail. To reduce this deficit, it is good to enlarge the FTA into service sector, as this is India's strength. In case of countries like Malaysia or Philippines, there may be some reluctance, as they have some activities related to IT area, but for Thailand this will be of mutual benefit only. I.e. recommend to open up service sector and extend this FTA into CEC (comprehensive economic cooperation) as Thailand can be considered as a partner/marketing outfit for India to offer its service to other market.
4) **Service sector opening up;** The major stumbling block is India's demand for ASEAN to open the service sector widely by including the independent professional services (IPS); Thailand & Asian side is not familiar with this concept. Their objection is because the IPS does not have any limits, "ASEAN countries also want to limit India's contractual service suppliers to the level of directors, managers and specialists, while India demanded full access.
5) **Textile Sector** ; We also recommend for opening up of textile sector completely, as in this case major trade will be diverted from china to India and can help to support the trade to be positive for India
6) **Trade creation ;**The major trade creation area what we see based on analysis is automobile sector, refrigerator and air conditioner market which is mainly controlled by MNC who have manufacturing bases in Thailand and India and it makes synergy for them to source from their own organization . As long as this brings in additional welfare/business /job and does not push Indian makers to shut their factories this can be allowed. For India import from Thailand major trade creation happens in HS code no 84, 57, 68, 85 and major trade diversion happens in HS code no 82, 71, 15 & 27 and countries from where trade is diverted is China, Korea & Sri Lanka. in the total trade only 16% is trade diversion and balance 84% is trade creation
7) **China's FTA**; China has Comprehensive Economic Program (CEP) from 2010 with zero duty, means China's products have already been tested and approved. To dethrone them, new entrant like India has to put a real hard effort. During analysis it is noticed, due to full FTA with china, prices from china is already lower, if India need to create trade, the price from India need to be better than china which may be difficult ,and that is also one of the reason for negative balance payment situation. A key point is to create a necessary awareness to the industry for facilities and services available which are better in quality and its availability at a competitive price in both countries including the status of duty reduction
8) **Investment; Another** key area to concentrate for Indian is its investment in Thailand. First, the number of Indian investment projects has not picked up in recent times. Second, Indian investment in absolute terms has fallen since 1998. Third, the shares of Indian and Thai investments in Indian projects have

also remained stagnant in recent years. In terms of its sartorial composition, Indian investments have been rather concentrated mainly in manufacturing sector. In the services sector, its presence has been almost insignificant and India's strength is service sector. So this needs to be explored more, as well as efforts are required to diversify the Indian investment in Thailand. In terms of sectoral distribution of Thai investments it is observed that it is quite concentrated, in sectors such as minerals and ceramics and chemicals. Thai investment presence in India is nil. The major sectors in which Thai investment in India has been approved are telecom, tourism, food processing, chemicals and electrical equipment's group has started some activity and few more JVs are being started in infrastructure area.

9) **Investors ;** The major Indian groups who have invested in Thailand are the Aditya Birla Group, Ballarpur Industries, Baroda Rayon Group, Usha Martin Industries, Ranbaxy Laboratories, Lupin Laboratories and Indo Rama, although some have since withdrawn (e.g., Ballarpur). At present, there are 26 Indian joint ventures operating in Thailand of which two Indian companies viz. NIIT and APTECH have started their operations more recently in software development and computer education. The potential areas for Indian investment in Thailand are IT services and software, pharmaceuticals, herbal based medicine and cosmetics, dairy development and products, manufacturing of machine tools, and iron and steel products, human resource development, and textiles (value added production of textiles like warp knitting plants and flat bed knitting plants for sweater manufacturing).

10) **Paucity of adequate information exchange:** The Office of the Board of Investment of Thailand has launched a joint venture program, which focuses on facilitating foreign investments seeking Thai joint venture partners. Through this program, not even a single joint venture between Thailand and India has been reported till now.

8.0 MAJOR CONSTRAINTS

a) One major constraint coming in the way of Indian investors is in terms of information gap regarding policy guidelines, potential sectors, prospective collaborators, etc. Indian investors find it difficult to locate a reliable counterpart. Procedural bottlenecks also act as barriers. Recruitment of staff in Thailand has reportedly also not been smooth. Thai government should take initiative to improve this via Board of investment.

b) Information gap acts as a constraint for Thailand's investments in India too. However, it is worth mentioning that infrastructural bottlenecks have proved to be the main constraint in India in terms of attracting FDI from Thailand. Therefore, steps could be taken to facilitate Thai investment in the infrastructure sector itself.

c) Lack of standardised procedures: Due to lack of standardised procedures, on certain occasions, different interpretations of rules and procedures occur. This gives rise to procedural delays. This needs to be addressed by Indian side

d) Lack of intra-and inter-state harmonisation of rules: India is divided into different States and each state has its own authority to introduce investment promotion regimes. Such a situation often results in possibilities of double taxation. This needs to be addressed by Indian side

e) Difficulty in loan approval for foreign projects: Procedural complexities and lack of standardised banking norms hinder approval of loans for foreign projects. This needs to be addressed by Indian side

f) Apart from the tariff and non-tariff barriers Indian exports also face tremendous constraints in terms of inadequate information flows, lack of adequate trade finance facilities, procedural delays, there is an urgent need to evolve a grading/rating system for exporters/importers so as to improve the reliability of trade partners.

9.0 SCOPE FOR FURTHER RESEARCH

There is ample scope for further research in the following areas;

- There is a shortage of ex-post modeling analysis of trade agreements in Asia, particularly ASEAN and especially on Thailand, where as there is lot of ex ante models, which sometimes become counter- productive.
- Spaghetti – bowl effect of multiple FTAs; with multiple FTA prevailing in this region there is a Shortage of empirical modeling of the costs of certain components of FTAs and the analysis of costs of the spaghetti-bowl effect can be analysed.
- There is a shortage of research on investment issues in FTAs. In contrast to the large theoretical and empirical literature on the trade effects of FTAs, very little has been done in the area of investment. Given the empirically-verified importance of trade-FDI links and its importance to economy-wide growth and development, such research should be very important.
- When the first extract of study was published in magazine, we were contacted by largest polyester yarn producer in India, who wants us to conduct a similar product specific research on polyester yarn potential in Asean market, and a leading textile machinery manufacturer of India wanted us to do a similar study for textile machineries in South American market. It clearly shows there is a great potential in related area for further research and we are planning to take up this assignment as they are sponsored by industry and is based on industry need.

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