

Is AFTA a Trade Creation or a Trade Diversion for Thailand? An Investigation from Trade Indicators

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Abstract

This paper aims to examine whether the ASEAN Free Trade Agreement (AFTA) is the trade creation or trade diversion to Thailand by using some trade indicators: 1) Export Similarity Index, 2) Intra-Industry Trade Index, and 3) Revealed Comparative Advantage (RCA) Rank Correlation. By analyzing trade patterns among Thailand and other ASEAN member countries, it shows high degree of similarity of trade structure among Thailand and AFTA, which indicates less benefits of trade creation from AFTA and more possibility of trade diversion when the AFTA scheme is fully implemented. This similarity pattern explains the reasons for future collaboration among member countries and supportive arguments for future extension of the ASEAN-Plus.

Keyword: ASEAN Free Trade Agreement, Trade Creation and Trade Diversion