Australia-Thailand Economic Engagement Report

Building a deeper, broader and more sustainable trade and investment relationship

GROUP OF EIGHT AUSTRALIA

THE UNIVERSITY of ADELAIDE

Overview

01 Background to the Report

02 The Bilateral Trade and Investment Relationship

03 Broader and Deeper Integration

04 Recommendations for Bilateral Action

01 Background to the Report

Upgrading the Relationship

Interests already strongly aligned

But not reflected in trade flows

01

Purpose of the Report

- **Explore bottlenecks to broader and deeper integration**
- **Identify opportunities on both sides of the trade and investment relationship**
- **Recommend actions to overcome bottlenecks and seize opportunities**

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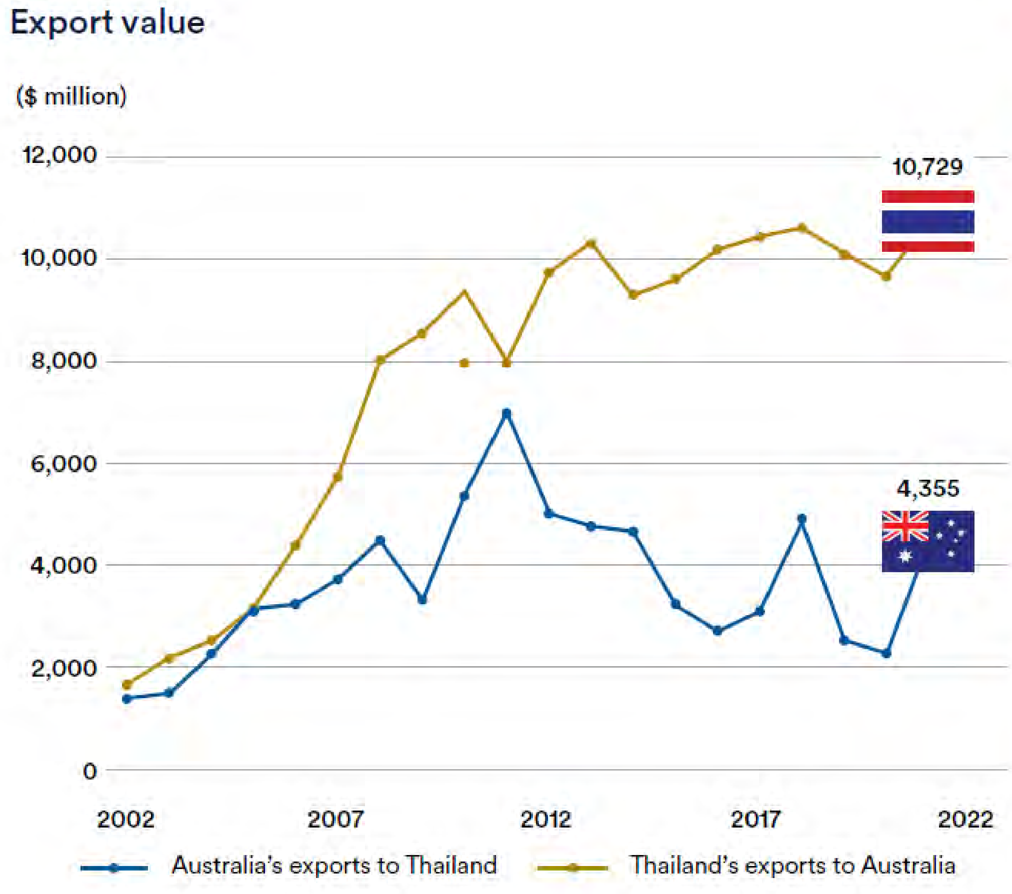
The Bilateral Trade and Investment Relationship

Overview of Australia-Thailand bilateral trade



Australia's export profile to Thailand (2021)

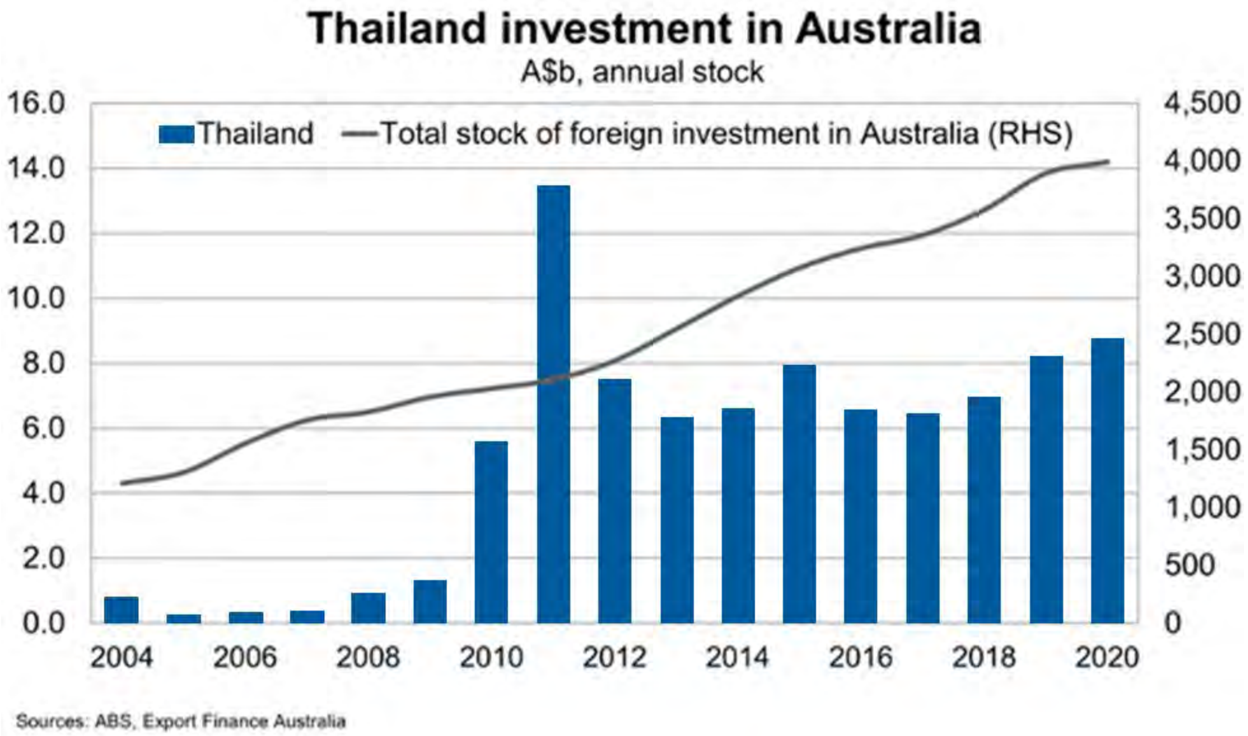
Sectors	Value of imports	Ratio
Mineral products	$832.50M	19.15%
Precious products	$742.53M	17.04%
Aluminum	$448.12M	10.28%
Cereals	$444.08M	10.19%
Copper	$313.41M	7.19%
Others	$1.574.36M	36.15%

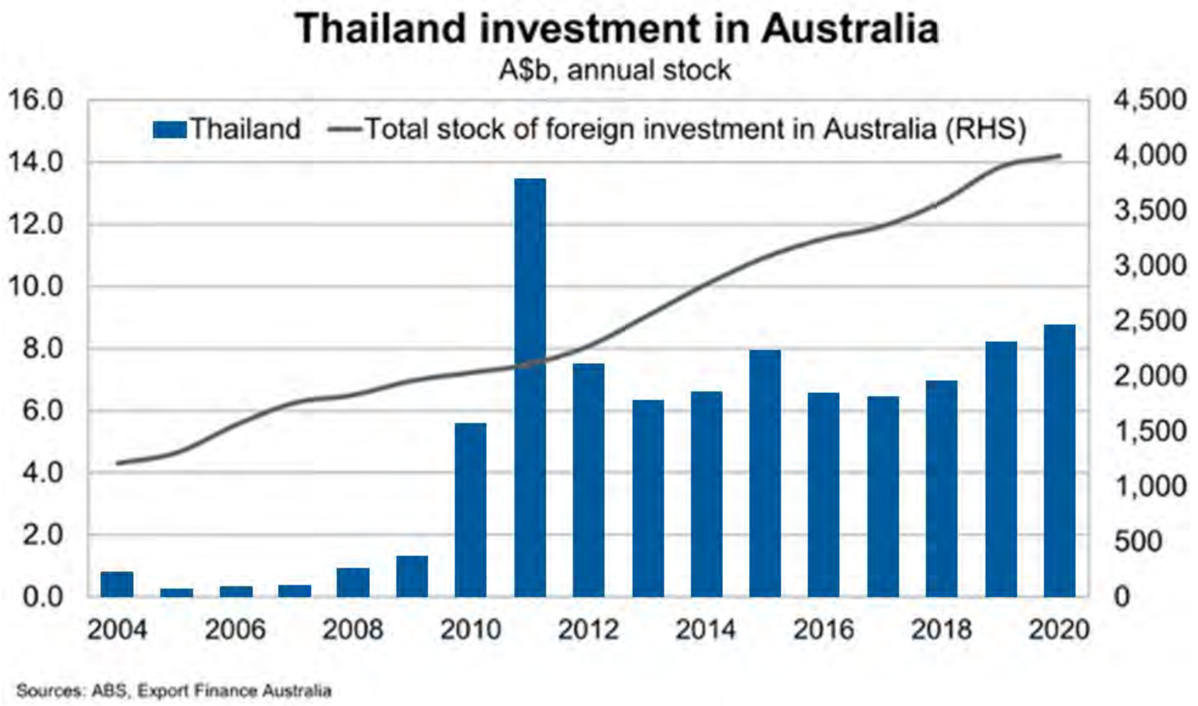
Thailand's export profile to Australia (2021)

Sectors	Value of imports	Ratio
Vehicles	$5.55B	51.72%
Machinery	$1.35B	12.58%
Plastics	$536.82M	5.00%
Precious products	$389.82M	3.63%
Rubbers	$366.50M	3.43%
Others	$2535.86M	23.64%

The Bilateral Trade and Investment Relationship 02

Overview of Australia-Thailand bilateral investment trends





Overview of Australia investors in Thailand

QBE INSURANCE
Kingsgate
WorleyParsons
MEINHARDT
MACQUARIE BANK
Genea WORLD LEADING FERTILITY

BLUESCOPE STEEL
aurecon
Grant Thornton Audit · Tax · Advisory
AUNDE
LINFOX

SKM
THE COFFEE CLUB
ANCA CNC MACHINES
ARB 4X4 ACCESSORIES
dwp
FUTURIS

BLACKMORES THE BEST OF HEALTH
HARRINGTON
McCONNELL DOWELL CREATIVE CONSTRUCTION
BOLWELL ADVANCED MANUFACTURING
TRIMOTIVE

VISY FOR A BETTER WORLD
TOLL
RIDLEY
MESHTEC
Ansell

02

The Bilateral Trade and Investment Relationship

02

The Bilateral Trade and Investment Relationship

Overview of Thai investors in Australia

Western Australia

PTTEP
Montara & Cash Maple

Oaks
1 hotel & 1 resort in Broome (MINT)

The Coffee Club
38 cafes statewide (MINT)

Recycling plant
(STAR Perth)

Frasers Suite Perth (TCC)

RAC
2 power stations (BP Kwinana & Kemerton)

Victoria

The Coffee Club
37 cafes statewide (MINT)

Oaks
3 hotels & 6 apartments in Melbourne (MINT)

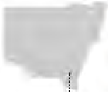
Frasers Suite Melbourne
(TCC)

RAC
Toura Wind Farm

Carryboy, SMM, Aeroklas
Pick-up truck accessories plants

Mega
Vitamin manufacturer (MEGA)

Amora Hotel Riverwalk Melbourne



New South Wales

Coffee Club
53 cafes statewide (MINT)

Oaks
5 resorts & 3 apartments (MINT)

Amora HotelJamison Sydney

Frasers Suite Sydney (TCC)

Novotel Rockford (TCC)

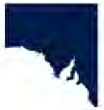
RAC
Collector Wind Farm

BANPU
Centennial Coal

ACT

Hyatt Canberra (TCC)

The Coffee Club
2 cafes (MINT)



South Australia

Coffee Club
6 cafes statewide (MINT)

Oaks
6 apartments in Adelaide (MINT)

Intercontinental Adelaide
(TCC)

RAC
Starfish Hill Wind Farm

Queensland

MSF Sugar
4 sugar mills, 1 bio-electricity plant & plan to produce ethanol (Mitr Phol)

The Coffee Club
145 cafes statewide (MINT)

RAC
2 wind farms, 1 solar farm, 1 power plant

Oaks
3 hotels, 5 resorts & 20 apartments statewide (MINT)

TJM
4x4 equipment plant

Tasmania

xxx
6 dairy farms & Edith Creek plant

The Coffee Club
2 cafes (MINT)

Northern Territory

Oaks
1 hotel in Darwin (MINT)

Mango farm
(Tou's Garden)

The Coffee Club
8 cafes statewide (MINT)

The Punchline:

01 Thai goods exports to Australia have increased steadily over the last two decades, helped along by TAFTA, ANZFTA, RCEP and similar initiatives

02 Australian goods exports to Thailand have suffered significant volatility.

03 The services trade relationship is dominated by tourism and education services.

04 Investment by Australian investors in Thailand has flowed to a diverse range of sectors, whereas Thai investment in Australia has been more concentrated in a narrow cluster of sectors

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Broader and Deeper Integration

Indicators of trade competitiveness

Revealed Comparative Advantage: RCA

$$RCA=\left(\frac{x_{ij}}{X_{it}}\right)/\left(\frac{x_{wj}}{X_{wt}}\right)$$

Where x_{ij} is the value of exports for product j of country i to the World

X_{it} is the total value of all exports of country i to the World

x_{wj} is the global value of export of product j

X_{wt} is the total value of all global exports

If RCA > 1 means country i has a comparative advantage in exporting said products, whereas if RCA < 1 means country i doesn't have a comparative advantage in said product.

Export Specialization: ES

$$ES=\left(\frac{x_{ij}}{X_{it}}\right)/\left(\frac{m_{kj}}{M_{kt}}\right)$$

Where x_{ij} is the value of exports for product j of country i to the World

X_{it} is the total value of all exports of country i to the World

m_{kj} is the value of imports of goods j of country k from the World

M_{kt} is the total value of all exports of country k to the World

If ES > 1 means country i has a comparative advantage in exporting said product to country j, ES < 1 means country i doesn't have a comparative advantage in exporting said products. Exports to the country j.

Opportunities grouping for Australia products and services in Thai market

Analysis of the competitiveness and opportunity to enter the global and Thai market of Australia products are classified into 4 groups as follows:

Group 1: Australian products with a revealed comparative advantage (RCA > 1) and an export specialization (ES > 1) in Thailand

Group 2: Australian products with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

Group 3: Australian products without a revealed comparative advantage (RCA < 1) but with an export specialization (ES > 1) in Thailand

Group 4: Australian products without a revealed comparative advantage (RCA < 1) and an export specialization (ES < 1) in Thailand

Broader and Deeper Integration 03

Opportunities for Australian exporters on products in the Thai market

Goods

1 Australian products with a revealed comparative advantage (RCA > 1) and an export specialization (ES > 1) in Thailand

Animal products; Dairy products; Cereals and preparations; Cotton; Other agricultural products; Minerals and metals

2 Australian products with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

3 Australian products without a revealed comparative advantage (RCA < 1) but with an export specialization (ES > 1) in Thailand

Beverages and tobacco

4 Australian products with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

1+ 2 Products with high export potential; 1+3 Products that Thailand need to import from Australia

Australia products with high export potential to the global and Thai market

Services

1 Australian products with a revealed comparative advantage (RCA > 1) and an export specialization (ES > 1) in Thailand

Travel; Personal, cultural, and recreational services

2 Australian products with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

3 Australian products without a revealed comparative advantage (RCA < 1) but with an export specialization (ES > 1) in Thailand

Financial services; Telecommunications, computer, and information services; Government goods and services

4 Australian products with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

Construction; Transport; Charges for the use of intellectual property; Insurance and pension services; Other business services

1+ 2 Services with high export potential; 1+3 Services that Thailand need to import from Australia

Australia services with high export potential to the global and Thai market

03 Broader and Deeper Integration

Opportunities for Thai exporters to the Australian market

Goods

1 Thai products with a revealed comparative advantage (RCA > 1) and an export specialization (ES > 1) in Australia

Animal products; Fruit, vegetables, and plants; Cereals and preparations; Sugars and confectionery; Other agricultural products; Fish and fish products; Textiles; Non-electrical machinery

2 Australian products with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

Beverages and tobacco; Transport equipment

3 Australian products without a revealed comparative advantage (RCA < 1) but with an export specialization (ES > 1) in Thailand

Cotton; Minerals and metals; Electrical machinery

4 Australian products with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

1+ 2 Products with high export potential; 1+3 Products that Australia need to import from Thailand

Australia products with high export potential to the global and Thai market

Services

1 Thai services with a revealed comparative advantage (RCA > 1) and an export specialization (ES > 1) in Thailand

Travel; Other business services

2 Thai services with a revealed comparative advantage (RCA > 1) but without an export specialization (ES < 1) in Thailand

3 Thai services without a revealed comparative advantage (RCA < 1) but with an export specialization (ES > 1) in Thailand

4 Thai services without a revealed comparative advantage (RCA < 1) and an export specialization (ES < 1) in Thailand

Transport; Financial services; Government goods and services; Insurance and pension services; Personal, cultural, and recreational services; Telecommunications, computer, and information services; Charges for the use of intellectual property

1+ 2 Services with high export potential; 1+3 Services that Australia need to import from Thailand

Australia services with high export potential to the global and Thai market

Factors favoring greater Thai investment in Australia

- Open, well-regulated economy
- AAA credit rating
- Highly-skilled workforce
- Politically stable
- Steady population growth
- Strong banking sector
- Transparent property market

Opportunities for Australian investment in Thailand

- Next generation automotive
- Advanced agriculture and biotechnology
- Aviation and logistics
- Medical and comprehensive healthcare
- Digital economy
- Education and human resource development
- Defence

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Broader and Deeper Integration

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04 Recommendations for Bilateral Action

Recommendations for expanding and deepening trade and investment

01 Time to upgrade/update TAFTA

02 Seek parity of treatment in investment with the United States

03 Support Thailand in achieving domestic regulatory reforms

04 Physically move Austrade out of the embassy

Recommendations for Bilateral Action

Recommendations for building stronger institutional ties and people-to-people links

01 High-level bilateral political summit

02 Regular high- level policy dialogue

03 New initiatives for institutional twinning

04 Deepen cooperation with other bodies

05 Formalise cooperation btw Thai and Aus-based chambers

06 Strengthen engagement between alumni associations

07 A more systemic approach to documenting alumni

08 Increase student mobility

04

Supporting economic governance reforms

The 'Ten for Ten' Initiative of the Foreign Chambers Alliance

Follow through with the simple and smart license

Continue this initiative (the "Guillotine Project") to eliminate redundant laws and regulations.

Increase availability of e-government platforms

Continue to increase the number of official processes that can be accomplished online.

Simplify and digitize cross-border clearances

Permanently allow digital document submission and approval for cross-border trade.

Increase digitization of FDA approvals

Consider full acceptance of digital document submissions and e-signatures.

Expand BOI incentives applicability

Expand BOI incentives beyond the targeted industries to include services.

Streamline licensing for restricted businesses

Make the process to be allowed to operate restricted businesses more transparent.

Simplify access for skilled labour

Eliminate the 4:1 Thai to foreign worker ratio and the 90-day report requirement for long-term non-immigrant visa holders

Enhance regulatory consistency and clarity

Increase transparency, regulatory predictability and the even and consistent application of laws in all cases.

Support digital commerce

Seek broad private-sector consultation when designing laws on digital technologies and services.

Work with foreign interests to achieve net zero by 2050

Introduce tax incentives for green investments and strength intellectual property laws to increase the transfer and adoption of green technologies

04

Read the Report

THANK
YOU

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