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“Australia and Thailand: Countries with High Complementary”

Key words

resource endowment, complementary, trade and investment policies

Abstract

Australia and Thailand have long-standing relationship in various aspects, especially in trade and investments. However, possibilities of trade and investment growth and expansion still largely exist. This paper will compare resources endowments such as land, mineral and human resources, in order to determine the degree of endowment complementarity of the two countries.

Australia is an open and diverse trading nation with resilient economy. Endowed with natural resources, the country has extensive reserves of coal, iron ore, copper, gold, natural gas, uranium, and renewable energy sources. This particular endowment attracts high levels of foreign investment placing Australia among the world's top of natural resource exporter. Australia is also a significant exporter of energy, premium agricultural and services products, innovation and creativity with a large services sector. In 2011, Australia's trade with the world valued more than A\$600 billion. Total trade as a share of GDP was around 41.0 percent in 2010-11.

Thailand is the 33th largest economy in the world and the 2th largest economy in ASEAN. Of the total population of 66.7 million people, its labor force stands at 39 million. Manufacturing is the second largest contributor to the GDP, accounting for 35.6 percent in 2010 and 73.4 percent of the total exports in 2011. Vehicle manufacturing and electronics have been very vibrant sectors. Thailand is the world's largest hard disk drive producers with over one third of the world's market. The country is the largest vehicle manufacturer and ranked number 15 in the world with approximately 130 trading partners worldwide. Other important export goods are high-technology products, i.e., integrated circuits and parts, hard disc drives, and electrical appliances. In terms of importing, 42.9 percent of goods imported to Thailand are raw material and intermediate goods.

Agriculture sector is a significant contributor to Thailand's economy, around 13 percent of GDP. Ranked as the world's 12th largest exporter in total food exports, Thailand is among the world's top five food exporters, a principle rice exporter, and a major source of natural rubber. The country is also ranked among the top ten exporters of seafood, frozen shrimp and frozen chicken, with agricultural exports accounting for roughly 15 percent of total exports.

It is worth noting that the country is a major exporter of processed foods rather than basic commodities and the majority of agricultural imports are used as inputs for domestic product rather than food.

Though much of trade tariff between two countries are eliminated by the Free Trade Agreement, TAFTA, barriers to trade in service, particularly financial sectors, still exist. This paper will examine their trade and

investment policies to determine the existing barriers as well as explore Australia's abundant financial resource which may have not allocated to Thailand. Finally, the paper will make policy recommendation to enhance trade and investment between Australia and Thailand.

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