

TRADE FACILITATION AND MICROFINANCE FOR POVERTY REDUCTION IN THE GMS: THE CASE STUDY OF THAILAND

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Motivation

- ❑ Trade facilitation has an increasing role in the current world trading system as a major trade obstacle (2-15% according to OECD, 2001)
- ❑ The Asian Development Bank (ADB)'s GMS program includes two important initiatives for transport and trade facilitation, namely, Economic Corridors and the Cross Border Transportation Agreement (CBTA).
- ❑ However, the benefit of such initiative on poverty reduction and income distribution is still debatable.
- ❑ The United Nations (2003) shows that trade facilitation brings about income distribution and poverty reduction via three channels, namely, economic growth, international trade and higher government revenue.
- ❑ Using the CGE model, Menon and Warr (2006) and Stone, Strutt and Hertel (2010) show that the reduction of land transport costs from the GMS's road improvement projects results in poverty reduction, especially from a rise in factor earnings.

Motivation



- However, Cheewatrakoolpong (2009) finds that local communities, especially the poor, have limited benefits from the economic corridors and CBTA of the ADB's GMS.
- Stone, Strutt and Hertel (2010) also support the existence of negative impacts, which cannot be addressed in the CGE model, on the poor from trafficking, traffic accidents, environmental outcomes and income disparities.
- Inappropriate microfinance system to support microenterprises and the poor in local communities might be another explanation why these groups of people do not attain benefits from the GMS's trade facilitation improvement projects.

Motivation

- Cheewatrakoolpong et al.(2011) surveys microfinance products available in the formal financial institutions in Thailand and finds that:
 - Most of the products serve for the short-run objectives such as working capitals and consumption.
 - There are a limited number of products aims at long-run objectives such as business investment .
 - None of them has a particular target at border communities.

Research Questions



- ☐ Do trade facilitation measures benefit the poor and microenterprises in local communities, especially the border ones?
- ☐ What is the role of microfinance to support the utilization of the trade facilitation initiatives?

Scope of Study

- ❑ Mukdahan province (local communities neighboring the Route R9 and the second Thai-Lao Friendship Bridge)
- ❑ NakhonPhanom province (local communities neighboring the Route R12 and the third Thai-Lao Friendship Bridge)



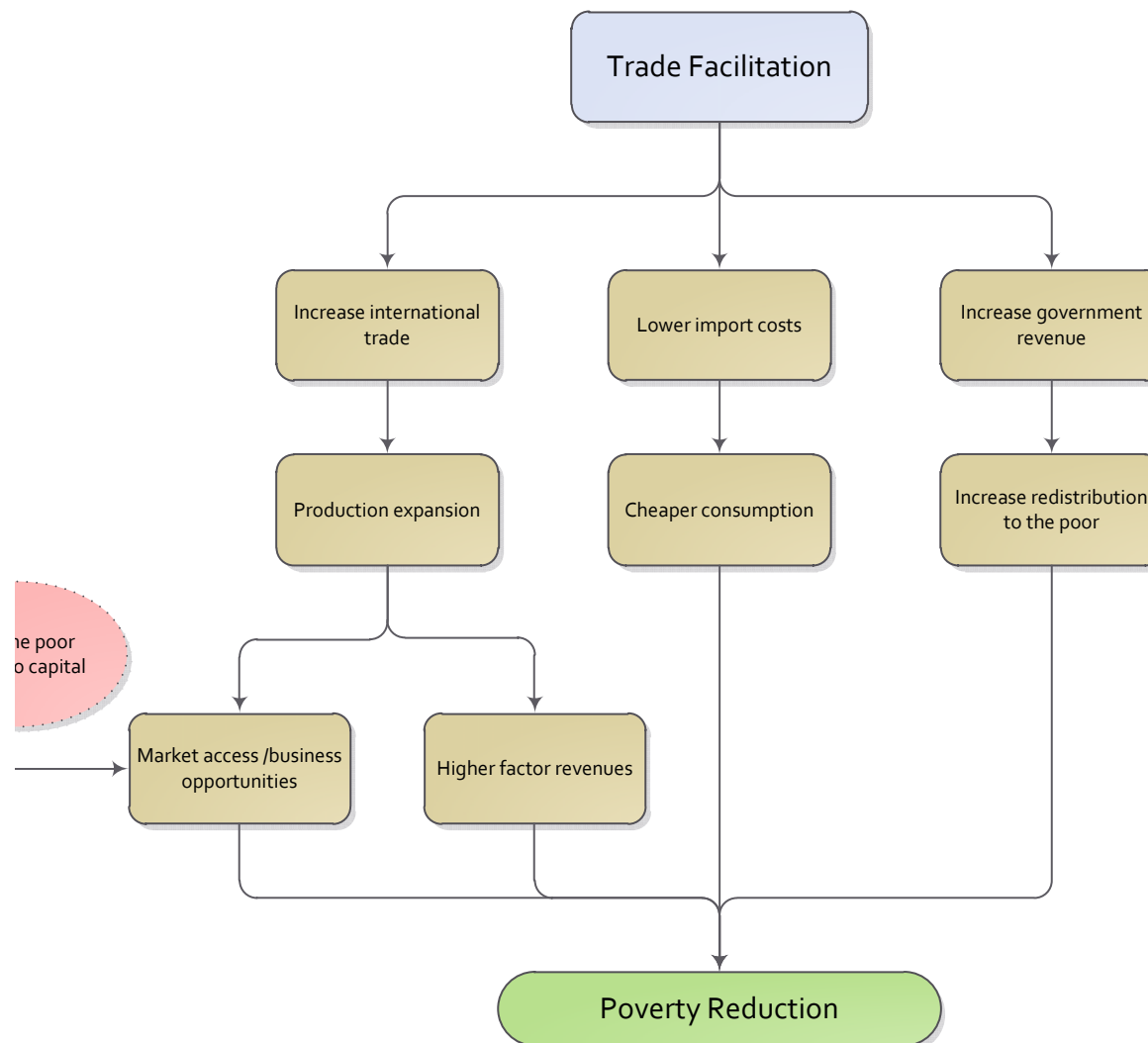
Scope of Study

East-West Economic Corridor

The EWEC intends to connect the Pacific Ocean with the Indian Ocean via the Asian Highway network at route AH16 from the Port of Da Nang and the city of Hue in Vietnam via Route number 9 and Savannakhet in Lao PDR and through Thailand's Mukdahan, Kalasin, KhonKaen, Petchabun, Phitsanulok and Tak Provinces to Myanmar's Gulf of Martaban in Moulmein with a distance of approximately 1,600 kilometres.



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