(ABSTRACT)

It has been widely accepted that there exists the impact of nonforestry policies, such as trade liberalisation, interest rates, and taxes and subsidies on deforestation and forest degradation. It is also increasing recognition that forestry policies can affect the performance of nonforest sectors through environmental and economic linkages. This research aims to examine these policy spillovers for the entire economy analysing economic behavior in both goods and factor markets. In addition, it is crucial to identify the causes of forest degradation in the wake of trade liberalization and their impact on income distribution locally. Identification of determinants will enable effective environmental management and eradicate rural poverty.

The research contains two parts; Part 1 examines the causes of forest degradation focusing on socio-economic, biophysical and spatial variables in a 'Temporal Dynamic and Spatial Scale' household model. The households are clustered on the basis of three levels of income earned during the year and hence changes in use of natural resources and impacts on the forestry sector; policy initiatives for each income group are suggested. The evidence based on household survey data analysis suggest that the socio-economic variables incorporating biophysical and spatial variables influence reforestation. Part 2 investigates the impact of trade liberalization in the presence of environmental policy at provincial level by applying computational general equilibrium (CGE) analysis. This research seeks to elucidate linkages between trade, environment and income distribution of Northern Thailand by highlighting policy instruments for intervention policies for sustainable economic development. For our results, it is apparent that such linkages are relatively complex and policy options and instruments for policy makers. The study highlighted the relationship between, spatial, biological and economic effects of trade policies.

The first sets of policy instruments in this study reflects factor affecting forest degradation and their impact on household income distribution. The second set of economic policy instruments includes coordination of micro and macro-economic policies in particular, trade policy in the presence of environmental policy. The result suggests the trade liberalization in the presence of environment has a positive effect the welfare of the country.