

CHAPTER 1

INTRODUCTION



1.1 Background

Thailand has been an international trading country for long time. Export is a major source of foreign currency for investment, employment and income distribution. Japan is one of the most powerful trading countries. Therefore, the major export market of Thailand should always include Japan. Japan is the important market of Thailand. It is one the 3 largest export markets of Thailand. They are USA, Japan and Europe Union.

Japanese market was and tends to remain very important for Thailand. This can initially be confirmed by the figures of trade value and trade ratio, as given in Table 1.1

In July 1997, economic crisis occurred in Thailand and some parts of Asia. It is seen from Table 1.1 that the trade ratio between Thailand and Japan decreased from 20.4% in 1997 to only 18.1% in 1998. The export to Japan contributed 17% of total Thailand export in 1989 and 13.7% in 1998 (Table 3.8), which reflected the declination of the export contribution. Many questions arose on what happened to the trade between Thailand and Japan was it because of the recession of Thai and Japanese economy, so they imported less Thai products the lower capability of the Thai competitiveness or higher restriction on Japanese import regulations. Thailand might confront with higher trade barriers, which was believed to be mostly on non-tariff barriers, e.g. the justification on preserving the environment, and the standards of products. These could be the reasons for the reduction of trade values.

The economic crisis seems to affect the Thai export significantly. Due to the economic crisis the Thai Baht was devalued. The government then concentrated on export promotion to increase amount of foreign currency reserve and improving production, employment rate, and business development. The government also supported private sector to cope with the crisis. This could be the reason that the value of trade between Thailand and Japan slightly increased in the earlier part of 1999.

According to the economic change in Asia together with the Japanese import restriction, the international trade between Thailand and Japan was affected significantly. More concern should be given to the capability of the Thai export to Japan.



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Table 1.1 Major Trades of Thailand from 1996 to 1999*Value: Million Baht*

T r a d e	1996	1997	1998	1999 *
Value				
Total	3,243,865	3,730,945	4,022,156	2,544,839
1. Japan	755,630	762,846	728,691	472,603
2. USA	482,774	621,841	750,468	455,263
3. ASEAN	550,067	638,040	675,541	439,245
4. EU	501,046	558,859	622,941	379,962
5. Other	954,348	1,149,359	1,244,515	797,766
Ratio	1996	1997	1998	1999 *
Total	100.0	100.0	100.0	100.0
1. Japan	23.3	20.4	18.1	18.6
2. USA	14.9	16.7	18.7	17.9
3. ASEAN	17.0	17.1	16.8	17.3
4. EU	15.4	15.0	15.5	14.9
5. Other	29.4	30.8	30.9	31.3

*Source: Information System Center, Economic Department*** = January to August only.*

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1.2 Objectives of the Study

1. To analyze the structure of overall Thai export and the Thai export to Japan. The study will cover agricultural and manufacturing products for the period before and during the Thai economic crisis.
2. To study the related factors, problem and obstacles for the purpose influent increase the level of Thai export.
3. To study the competitiveness advantage by comparing export of another key countries to Japan.

1.3 Scope to the Study

Products with high value of export will be selected for the study. They may be classified into 6 major groups as follows;

Agricultural products

- 1) Frozen shrimps
- 2) Sugar
- 3) National rubber

Manufacturing products

- 1) Automatic data processing machines and parts thereof.
- 2) Electronic integrated circuits.
- 3) Radio broadcast receives, Television receives and part thereof.

The study will cover the critical period of 1989 – 1998. In this period the structure of the Thailand export to Japan will generally be analyzed. The Constant Market Share Model (CMS) and the Revealed Comparative Advantage Index (RCA) will be applied only for the critical period of 1995 – 1998 and The study will also focus on Asia as follows: China, Singapore, Malaysia, Philippine, Indonesia compare with Thailand

since these countries have trade value with Japan closely to what Thailand have. It can be said that they are the major competitors of Thailand.

1.4 Advantage and Usefulness of This Study

To let us know about the history, relation, obstacles and trade barrier of the international trade between Thailand and Japan. This thesis reflect the competitiveness of the Thai exports to Japan comparing to other competitors in order to identify the products that Thailand have a comparative advantage in. The results obtained will be use improve the situation and solve the problems. This should help Thailand to be able to export more of its products to Japan.

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