

CHAPTER 5

CONCLUSIONS AND RECOMMENNDATIONS

5.1 Conclusion

The study first attempted to analyze the impact of variables to the export of agricultural and industrial products to Japan. However, it is not possible to cover all of them in details. Therefore the study covers the export potentials of some agricultural products and industrial products only. The Constant Market Share (CMS) Model and the Revealed Comparative Advantage Index (RCA) Model are applied in this study.

To derive the export potentials of Thailand agricultural products and industrial products, the products exported to Japan were selected. In the agricultural sector, the selected products are 1) Frozen Shrimps 2) Natural Rubber 3) Sugar. In the industrial sector, the selected products are 1) Automatic Data Processing Machines and Parts Thereof 2) Electronic Integrated Circuits 3) Radio Broadcast Receivers, Television Receivers and Parts Thereof. The data of the periods from 1995-1996 and 1997-1998 were used as the former period (1995-1996) represented the economy of Thailand before the crisis and the later period (1997-1998) represented the time Thailand were facing the economic crisis.

1. Frozen shrimps

Situation: The value of this product export to Japan and the market share in Japan trended downward. From analyze by CMS model, Japanese market growth, decreasing demand import and lower competitiveness of Thailand (Table 4.1 and 4.2). From analyze by RCA model, Thailand ranked the second comparative advantage (Table 4.5).

Competitors: Singapore, Indonesia, India and Vietnam.

2. Rubber

Situation: The value export to Japan trended downward while the market share trended upward. Japanese market expand while demand decline and the loss of Thailand competitiveness (Table 4.1 and 4.2). Regarding Thailand ranked the second comparative advantage (Table 4.5).

Competitors: Singapore, Srilanka, Indonesia and Malaysia.

3. Sugar

Situation: The value export to Japan and the market share trended upward. Japanese market growth and the competitiveness of Thailand while the demand for Import dropped. Regarding the comparative advantage, Thailand ranked top among the countries under the study (Table 4.5).

Competitors: Australia, South Africa and Brazil.

4. Automatic data processing machines and parts thereof

Situation: The value export to Japan and the market share trended upward. The market expanded and the demand increased while the competitiveness of Thailand declined. Thailand had no comparative advantage (Table 4.6)

Competitors: USA, Singapore, Taiwan and Malaysia.

5. Electronic integrated circuits

Situation: The value export to Japan and the market share trended upward. The growing market and the increased competitiveness of Thailand while demand for import declined. Thailand no comparative advantage of this product (Table 4.6)

Competitors: Taiwan, USA, South Korea and Singapore.

6. Radio-broadcast receivers, Television receivers and parts thereof

Situation: The value of this product export to Japan and the market share in Japan trended downward. The Japanese market expanded the demand for import increased and Thailand gained more competitiveness over other countries (Table 4.3 and 4.4). Regarding Thailand ranked the Second comparative advantage (Table 4.6).

Competitors: Malaysia, China, Indonesia and South Korea.

Thailand is the exporting country that its export grew remarkably over the past 10 years (1989-1998). Its export to Japan value increased from Baht 87,996 million in 1989 to Baht 308394.1 million in 1998. Considering the structure of the export product, the majority was the industrial products, which contributed 65.8% of total export to Japan. Its growth rate was as high as 15.7% in 1998. The agricultural products contributed only 19.3% of total export and its growth rate was 6.4% in 1998.

5.2 Recommendations

The recommendations will be divided into 2 part as follows:

5.2.1 Policies Implications

5.2.2 Limitations and Further Study

5.2.1 Policies Implications

The study of the potential of Thai exports to Japan suggests that;

The study of the Thai agricultural export to Japan was divided into two periods, 1995-1996 and 1997-1998. During the 1995-1996 period, which was prior to the outbreak of the economic crisis in the region, it is revealed that the market expansion, and market demand mainly influenced the growth of the Thai export. But since 1997, during the crisis, the results show that Thai exports growth were influenced by the market expansion, while the market demand were on the decline, which was partly due to the deteriorating economic situations in Japan. However, the competitiveness of the Thai exports increased as a result of the decision to abandon the exchange rate system, from pegged to the United States Dollar to floating,

and the subsequent devaluation of the Thai Baht, which gave Thailand the edge in the low prices of the exports. However, Thailand should continue to improve the quality of the exports in order to be even more competitive against other competitors in the world market. Furthermore, the export promotion policies should be seriously addressed in order to increase the competitiveness of Thai commodities.

The appropriate policies and strategies are then to extend the export to Japan in the new market segments, open the market for new products, increase market shares of the existing products, maintain and improve the term of trade by increasing the export of high quality and high added-value products. At the same time, Thailand should reduce the import by improving the efficiency and competitiveness, and, eliminate the possible transfer of profit done by the multinational firms.

The action plans concerning the policies, trade and investment strategies.

To achieve the above objective, the following action plans were addressed:

- 1. Conduct the researches to help determining the appropriate policies, measures, scope and the alternatives for negotiation and cooperation with Japan.
- 2. Negotiate and co-operate with Japan.
- 3. Execute the determined policies and measures.
- 4. Execute the follow-up evaluations.

1. Research

The researches that would be useful to determine appropriate policies, trade and investment measures and, the scope of negotiation and collaboration should focus in the following key elements:

- The direction of Japanese market trend. Target groups and the products that have relatively high potential of growth in Japan. The export potential of Thailand and its competitiveness in Japan.
- The rules and regulations of import-export that are constraints and obstacles for Thailand's export to Japan These covers both the existing products and the new potential ones.

The above mentioned researches should be conducted by Thai researchers. The joint research between Thai and Japanese researchers might be conducted if needed and appropriated.

2. Key issues in negotiation

The issues to negotiate with Japan could be divided into 3 key areas as followings:

- Market Access
- Trade Related Social Issues
- Cooperation and Technical Assistance

1) Market Access

The issues of negotiation that are related to the market access cover the trade barriers, control an obstacles over the goods and services from Thailand. That implies both existing products and the new potential

products. The products that encounter import barriers at the large extent are mostly the agricultural products such as rice, chicken, tapioca starch and fishery products.

In the preparation, Thailand should establish the list of export products that face the trade barriers both the tariff and non-tariff ones, especially the barriers from specific measures and policies over those particular products.

2) Social Issues on Trade

Thailand is a country under the pressure of this issue and will have to prepare well to defend itself in the negotiation in order to retain at maximum the benefit for Thailand and other less developed countries. This talk should focus on the preventive use of social policies as a tool of trade barriers. For instance, in the areas of environment protection, Thailand should insist the principle of Polluter Pays and the consumers are the Ultimate polluter. Moreover Thailand should demand the transfer of resources from the Ultimate polluter to the origin of pollution for appropriate waste treatment.

3) Cooperation and Assistance

The negotiation over this area should cover the followings:

- Trade and Investment Facilitation.
- The financial assistance to various development projects.
- The technical assistance over R&D and technology transfer.
- The training of skilled labor.

5.2.2 Limitations and Further Study

1. This study have not emphasis on the evaluation of the potential and competitiveness of individual commodities, in comparison to other competitor's commodities in the Japanese market. Further study should place more emphasis on studying the comparison of the potential and competitiveness of the competitors' commodities.
2. The reason that Thai exports are not very competitive in the Japanese market is because Thai exports have various other market potentials, such as the United States, E.U. and neighboring Asian countries. Furthermore, the Japanese market is difficult to access due to various factors, such as the Japanese trade restrictions, which would be very important for further studies to analyze.
3. This study has not distinguished whether the sources of Thai exports were wholly owned exporters, joint ventures or foreign direct investments. This makes it difficult to pinpoint whether the export commodities came from the pure potential of the Thai exports, hence further studies should focus on the wholly owned exporters or on a specific section.
4. The study did not include the role of the government, and the Thai export policies to Japan. So in order to study the impact of the Thai exports to Japan, emphasis should be placed on the role of the Thai government, and its export policies.