

CHAPTER 3

THE STUDY STRUCTURE OF THAILAND EXPORT AND THE THAI EXPORT TO JAPAN.

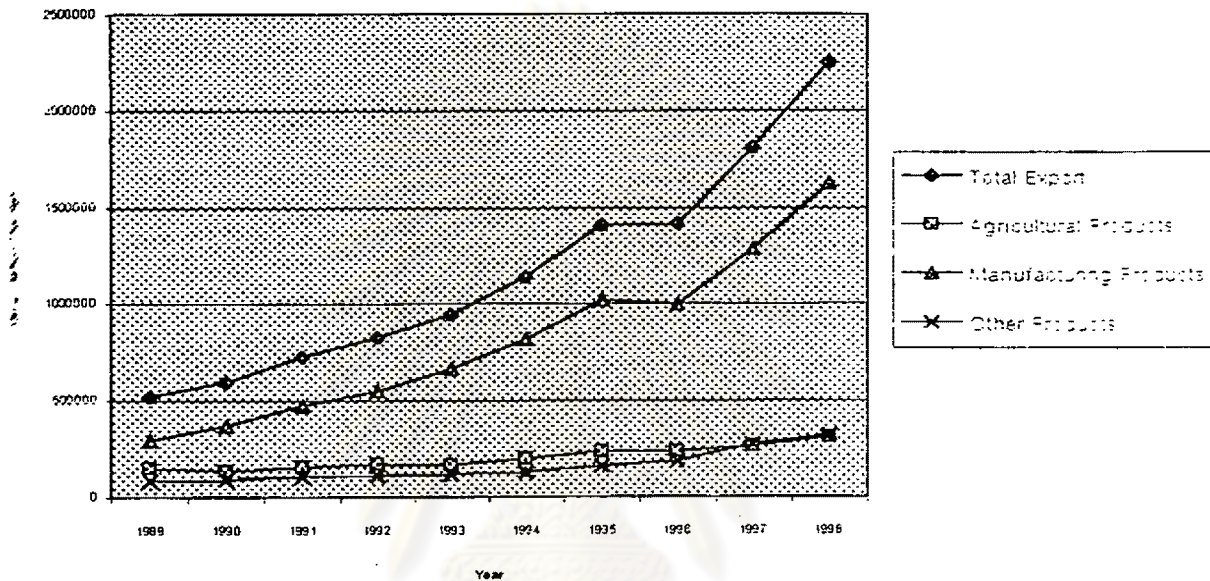
3.1 The Thailand Export

3.1.1 The structure of Thailand exports.

Thailand export grew continuously over the past 10 years from 1989 to 1998. Value of export was Baht 516,315 million in 1989 and increased over 4 times to Baht 2,248,089.4 million in 1998 (Table 3.1 and figure 3.1), which was accounted to the average growth of 16.5% per year. The export value in 1996 was the lowest during the period (1989-1998). The growth slowed down with the value increased marginally from Baht 1,406,310.1 million in 1995 to Baht 1,411,039.3 million value in 1996 or only 0.3% increase. In 1997, the earning increased 28% to Baht 1,806,682 million, which was the peak over the mentioned 10-year period. Export valued Baht 2,248,089.4 million in 1998 or 24.4% increase.

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Figure 3.1 Export Structure 1989-1998



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**Table 3.1 Thailand Exports
Structure 1989-1998**

Value : Million
Baht

Year	Total Export	Agricultural Products	Manufacturing Products	Other Products
1989	516315	147293.3	287486.2	81535.5
1990	589812.6	132836.9	366735.7	90240
1991	725448.8	152204	469599.2	103645.6
1992	824643.3	170935.9	541901.6	111805.8
1993	940862.6	165026.4	659311.6	116524.6
1994	1137601.6	196005.2	813811.4	127785
1995	1406310.1	231416.7	1016456.5	158436.9
1996	1411039.3	230658.8	993958.5	186422
1997	1806682	257562.2	1280042	269077.8
1998	2248089.4	304424.5	1624659.6	319055.3

Source: Department of Business Economic

Before 1989 the goods that Thailand exported were mainly agricultural products such as rice, natural rubber and sugar. Then the industrial products became more significant while the agricultural products were less important. That was due to the expansion and change of production, and, promotion and supporting campaign of Thailand export, which greatly attributed to the structural changes of production and export.

Table 3.2 Thai Export Structure 10 Year Period
(1989-1998) Growth Rate Unit : %

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Total Thai Export	27.9	14.2	23	13.7	14.1	20.9	23.6	0.3	28	24.4
2. Agricultural Products	18.3	-9.8	14.6	12.3	-3.5	18.8	18.1	-0.3	11.7	18.2
3. Manufacturing Products	11.7	27.7	28	15.4	21.7	23.4	25	-2.2	28.8	26.9
4. Other products	-65.5	35	24.5	-0.9	63.2	-44.1	53.2	34.6	97.9	50

Source: Department
of Business
Economic

Table 3.3 Thai Export Structure 10 Year
Period (1989-1998) Ratio Unit : %

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Total Thai Export	100	100	100	100	100	100	100	100	100	100
2. Agricultural Products	28.5	22.5	21	20.7	17.5	17.2	16.5	16.3	14.3	13.5
3. Manufacturing Products	55.7	62.2	64.7	65.7	70	71.5	72.3	70.4	70.9	72.3
4. Other products	15.8	15.3	14.3	13.6	12.5	11.3	11.2	13.3	14.8	14.2

Source: Department of Business Economic

In 1989 the export of agricultural products grew 18.3% (Table 3.2) and contributed 28.5% of total export (Table 3.3) while the industrial product export increased 11.7% and shared 55.7% of total export. In 1998, the growth rate of export in agriculture sector declined slightly to 18.2% while the share dropped significantly to 13.5%. On another hand, the growth rate of industrial sector improved to 26.9% and its contribution rose to 72.3% of total Thailand export. This reflected the more significant role of the industrial products over agricultural products.

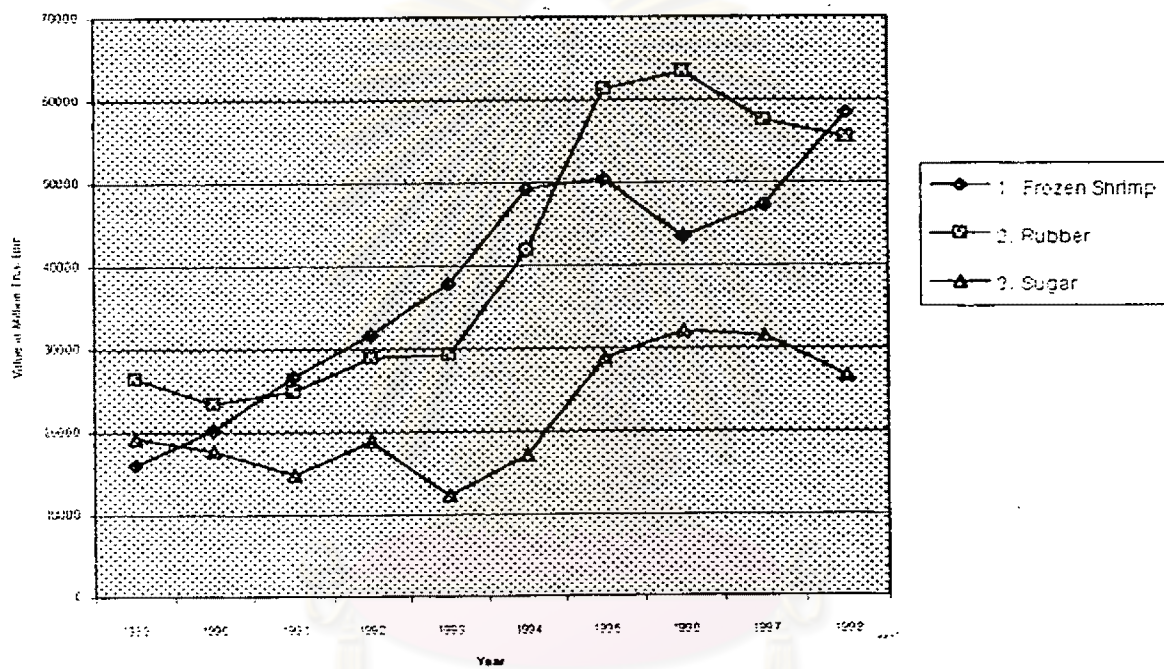
The change of each product category over the past 10 years from 1989-1998 could be described as follows:

Agricultural Products

The export over 10 years (1989-1998) grew up at yearly average of 9.8% i.e. the value increased double from Baht 147,293.3 million in 1989 to Baht 304,424.5 million in 1998 (Table 3.1). The peak of growth rate during the 10-year period was in 1994 at 18.8%. There were negative growths in 1990, 1993 and 1996 at the rate of -9.8%, -3.5% and -0.3% respectively (Table 3.2). The export share of this category trended down over the period. It was 28.5% of total export in 1989 fell down to 13.5% in 1998 (Table 3.3).

Before the Thailand's economic crisis, the export value of this sector grew up to Baht 196,005.2 million in 1994 and Baht 231,416.7 million in 1995, which represented the growth rate of 18.8% and 18.1% respectively. The growth of 1994 was also the peak during the 10 year period. The export value declined slightly in 1996 to Baht 230,658.8 million or the growth rate of -0.3%. In 1997 when the economic crisis occurred, the export of Thailand's agricultural products was worth Baht 257,562.2 million or 11.7% growth (Table 3.2). The effect of floating currency and consequently Baht depreciation made up the export value of Thailand, in Baht term, to Baht 304,424.5 million or 18.2% (Table 3.2) increase over a previous year.

Figure 3.2 Merchandises Thai Export (Agricultural Products)



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**Table 3.4 Merchandise Thai Export 10
Year Period (1989-1998) Value Unit:
Million Thai Baht**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Frozen Shrimp	16058.6	20208.2	26680.9	31708.6	37843.5	49155.6	50302	43404.5	47133.9	53343.3
2. Rubber	26431.7	23412.3	24953.5	28924.7	29193.1	41824	61260.7	63373	57450	55406.5
3. Sugar	19243.8	17693.9	14781.5	18920.2	12184.6	17202.6	28768.6	32081.4	31493.2	26611.1
4. Total Thai Exports	516315	589813	725448.8	824643.3	940862.6	137602	1406310	1411039	1806692	2248089

Source: Department of Business Economic

**Table 3.5 Merchandise Thai Export
10 Year Period (1989-1998) Ratio
Unit : %**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Frozen Shrimp	3.1	3.4	3.7	3.8	4	4.3	3.5	3.1	2.6	2.5
2. Rubber	5.1	4	3.4	3.5	3.1	3.7	4.3	4.5	3.2	2.5
3. Sugar	3.7	3	2	2.3	1.3	1.5	2	2.3	1.7	1.2
4. Total Thai Exports	100	100	100	100	100	100	100	100	100	100

Source: Department of Business Economic

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The key products under this study were:

1. Frozen shrimps; Its export increased continuously except in 1996 when the value dropped from Baht 50,302 million in 1995 to Baht 43,404.5 million in 1996 (Table 3.4 and Figure 3.2). The export bounced up to Baht 47,183.9 million in the following year (1997) and Baht 58,343.3 million in 1998. The export contribution of frozen shrimps grew continuously from 1989-1994 at 3.1%, 3.4%, 3.7%, 3.8%, 4% and 4.3% of total export (Table 3.5). After then the share declined over the period from 1995-1998 recording 3.5%, 3.1%, 2.6% and 2.5% of total export.

Before the crisis, the export value of frozen shrimps was Baht 49,155.6 million in 1994 and Baht 50,302 million in 1995. Though the value increased, the export contribution of this product diminished from 4.3% of total export in 1994 to 3.5% of total export in 1995. In 1996, the export value of the product fell to Baht 43,404.5 million and shared only 3.1% of total export. The value in 1997 improved to Baht 47,183.9 million as a result of Baht devaluation. The export share was 2.6% of total export. Then the export value of frozen shrimps increased to Baht 58,343.3 million in 1998 which was accounted to 2.5% of total export value of Thailand.

2. Natural Rubber; Its export value was Baht 26,431.7 million in 1989 and doubled to Baht 55,406.5 million in 1998 (Table 3.4 and Figure 3.2). The value increased almost every year except in 1990, 1997 and 1998. It dropped from Baht 26,431.7 million in 1989 to Baht 23,412.3 million in 1990. Export was worth Baht 63,373 million in 1996 then fell to Baht 57,450 million in 1997 and went further down to Baht 55,406.5 million in 1998. Export of natural rubber contributed 5.1% of total export in 1989 but dropped to only 2.5% in 1998 (Table 3.5).

Before the crisis, the export of Thailand natural rubber valued Baht 41,824 million in 1994 increase to Baht 61,260.7 million in 1995 which

were accounted to 3.7% and 4.3% of total export earning respectively (Table 3.5). The export was relatively stable in 1996 at Baht 63,373 million while the share was 4.5% of total export value. Even though the Baht currency depreciated in 1997, the value of natural rubber export in that year dropped down to Baht 57,450 million and the contribution went down to 3.2% of total Thailand export. The value and contribution fell further down in 1998 to Baht 55,406.5 million (Table 3.4) and 2.5% share of total export (Table 3.5).

3. Sugar: The export of this product was worth Baht 19,243.8 million in 1989 and Baht 26,611.1 million in 1998 (Table 3.4 and Figure 3.2). The value in 1993 was lowest, throughout the 10-year period of study, at Baht 12,184.6 million and it was accounted 1.3% share of total export (Table 3.5). In year 1996 was the peak year of sugar export with the value recorded at Baht 32,081.4 million and 2.4% share of total export. The contribution of sugar export was accounted in 1989 at 3.7% of total export. In 1998 it went down to only 1.2% of total export, which was also the low record in 10-year period.

Before the economic crisis, the export value of this product was Baht 17,202.6 million in 1994 and Baht 28,768.6 million in 1995 (Table 3.4). They were accounted to 1.5% and 2% of total Thailand export (Table 3.5) respectively. The amount grew further to Baht 32,081.4 million in 1996 and the share increased to 2.3% of total export. In 1997 when the economic crisis arose, the gain from devalue in Thai Baht did not cover the loss of sugar export. Its value and contribution dropped down to Baht 31,493.2 million and 1.7% and went further down in 1998 to Baht 26,611.1 million and 1.2% of total export value of Thailand.

Manufacturing Products

Table 3.6 Merchandise Thai Export 10

Year Period (1989-1998) Value Unit:

Million Thai Baht

Merchandise	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Automatic data processing machines and parts thereof	15527.6	38694.5	48420.3	57728.1	65271	94590.2	131241.8	167673.9	220302.7	320526
2. Electronic integrated circuits	18426.2	21680.5	25774.3	28822.3	35550	45310.8	58181.8	58538.6	75837.7	93833.1
3. Radio broadcast receives and parts thereof	2633.9	7960.4	14057.7	20352	22205.7	28031.9	31589.2	34626.8	43578.8	58066.2
4. Total Thai Exports	516315	589812.6	725448.6	824643.3	940862.6	137601.6	1406310	1411039	1806682	2248089

Table 3.7 Merchandise

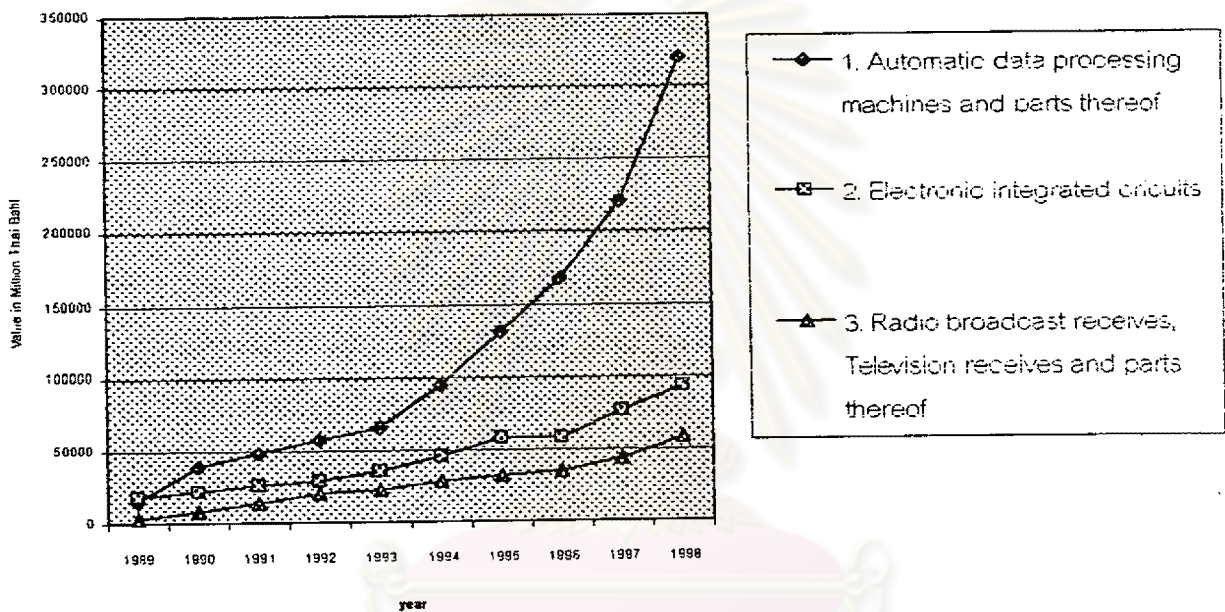
Thai Export Ratio Unit

: %

Merchandise	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1. Automatic data processing machines and parts thereof	3	6.6	6.7	7	6.9	8.3	9.3	11.9	12.2	14.3
2. Electronic integrated circuits	3.6	3.7	3.5	3.5	3.8	4	4.1	4.1	4.2	4.2
3. Radio broadcast receives and parts thereof	0.5	1.4	1.9	2.5	2.4	2.5	2.3	2.5	2.4	2.6
4. Total Thai Exports	100	100	100	100	100	100	100	100	100	100

Source: Department of Business Economic

Figure 3.3 Merchandises Thai exports (Manufacturing Products)



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The export of this category grew in average at 20.6% per year during those 10 years. In other words, the value increased over 4 times from Baht 287,486.2 million in 1989 to 1,624,659.6 million in 1998 (Table 3.1 and Figure 3.1). The growth rate increased every year except in 1992, 1996 and 1998. The growth was accounted at 15.4% in 1992 compared with 28% in 1991 (Table 3.2). In 1996, the growth was negative at -2.2% which was the lowest among those 10 years. It also fell from 28.8% in 1997 to 26.9% in 1998. The contribution of the industrial sector increased every year except in 1996 when it dropped from 72.3% in 1995 to 70.4% (Table 3.3).

Before the economic crisis, the export of this sector valued Baht 813,811.4 million in 1994 increase to Baht 1,016,456.5 million in 1995 which represented 23.4% and 25% growth rate respectively. The export value of this sector declined to Baht 993,958.5 million in 1996 or -2.2%, which was also the lower growth rate in 10-year period. When Thailand encountered the economic crisis in 1997, the floated currency exchange resulted higher value of export in Baht term. The export of the industrial sector in that year was worth Baht 1,280,042 million or 28.8% growth and hit the high record among those 10 years. The amount continued to increase in 1998 to Baht 1,624,659.6 million with a slightly diminishing growth rate of 26.9%.

The key export products under this study are:

4. Automatic data processing machines and parts thereof: The value increased every year during the 10-year period (1989-1998). It was accounted Baht 15,527.6 million in 1989 and shared 3% of total export. In 1998, the value increased to Baht 320,525.6 million (Table 3.6 and Figure 3.3) which was accounted to 14.3% share of total export (Table 3.7) The increase was over 20 times within the 10-year period (1989-1998)

Before the economic crisis, the export value was Baht 94,590.2 million in 1994 and Baht 131,241.8 million in 1995 (Table 3.6) and contributed 8.3% and 9.3% of total export (Table 3.7) respectively. The export continued to grow with the value of Baht 167,673.9 million and the export share of 11.9% of total export. When there was a change of foreign exchange to the managed float system in 1997, the export of this product was worth up to Baht 220,302.7 million and shared 12.2% of total export value. The growth continued in 1998 with the export amount of Baht 320,525.6 million and the share of 14.3% (Table 3.7).

5. Electrical integrated circuits: The value of export increased every year during those 10 years. In 1989, export of this product was worth Baht 18,426.2 million (Table 3.6 and Figure 3.3) and shared 3.6% of total export (Table 3.7). In 1998, it increased to Baht 93,833.1 million and the share increased to 4.2%. The value increased up to by 3 times. Its share of total export grew every year except in 1991 when it dropped slightly to 3.5% from 3.7% in 1990.

Before the economic crisis, the export of this product valued Baht 45,310.8 million in 1994 and Baht 58,181.8 million in 1995 (Table 3.6), which were accounted to 4% and 4.1% of total Thailand export earning (Table 3.7). The growth slowed down in 1996 with the value of export at Baht 58,538.6 million and 4.1% contribution of export. In 1997 when there was economic crisis, the export value increased to Baht 75,837.7 million and the share of export on that year was 4.2%. In 1998, the export growth continued with the value of Baht 93,833.1 million and 4.2% share of total export.

6. Radio-broadcast receivers, television receivers and parts thereof:

It was another one of industrial products that export value grew up every year during those 10 years. In 1989, its value of export was Baht 2,833.9 million (Table 3.6) which is accounted to 0.5% of total Thailand export (Table 3.7). In 1998, the value increased to Baht 58,058.2 million or 2.6% of total export. The value increased over 20 times as much as the growth rate of computer products.

Before the crisis of economy, the export of this product was worth Baht 28,031.9 million in 1994 and Bath 31,589.2 million in 1995 (Table 3.6), which shared 2.5% and 2.3% of total export value (Table 3.7) respectively. In 1995, the value continued to grow to Baht 34,626.8 million and contributed 2.5% of total export. In 1997 when Thailand faced economic crisis and changed the money exchange policy, the export value of this product increased to Baht 43,578.8 million and contributed 2.4% of total export. It grew further to Baht 58,058.2 million with the share of 2.6% of total export value in 1998.

3.1.2 Export Growth and Competitiveness of Thailand.

Growth of Thailand Export

Before Thailand encountered economic problem, the growth rate of Thailand export was relatively high. During the past 10 years from 1989-1998, export grew up each year at over 20% except in 1990, 1992 and 1993 when it grew at 14.2%, 13.7% and 14.1% respectively (Table 3.2). The value increased remarkably i.e. it took only 5 years to double the amount from Baht 516,315 million in 1989 to Baht 1,137,601.6 million in 1994 (Table 3.1). It continued to increase to Baht 1,406,310.1 million in 1995 with the growth rate in that year of 23.6%. But the growth slowed

down with the value increased marginally from Baht 1,406,310.1 million in 1995 to Baht 1,411,039.3 million value in 1996 or only 0.3% increase.

Thailand encountered various measures of non-tariff barriers from importing countries, especially from Japan, in regarding to environmental conservation, protection of child labor use, specific sanitary standard of products, etc. The effect was obviously seen in 1996 when the growth of export slowed down and valued Baht 1,411,039.3 million or 0.3% growth rate (Table 3.2). This highly diminishing growth of export had rapid and great impact to the economy since then until the crisis was realized in 1997 which has been destroying the social and economy of Thailand until now. The value of export in 1997 in Baht term increased as a result of Baht devaluation since July. The value on that year was Baht 1,806,682 million (Table 3.1) or 28% growth (Table 3.2). The export in 1998 was worth Baht 2,248,089.4 million and was accounted to 24.5% increase, which was slightly diminishing from a previous year.

Competitiveness of Thailand Export

As mentioned, Thailand did lose its competitiveness in the world market. The export growth declined noticeably in 1996. The economy shrunk and effected the economy of the country until the crisis was realized, of which the impact to social and economy was more severe than expectation.

The export growth during 1989-1998 increased over 20% except in 1990, 1992 and 1993 which could be rated high growth. Thailand was successful in coverage of the export markets. Thailand export shared 1.12% of world market in 1995 and 1.46% in 1998. The increase of Thailand's share in the world export market will be highly challenging in the future due to various variables especially the economic crisis that will

have quite an impact to the export of Thailand. The policy and measures attempting to rebuild export competitiveness have to combat various obstacles and constraints that derived from the economic crisis.

3.1.3 The Change of Currency Exchange Policy and The Export of Thailand

As Thailand declared the change of its currency exchange policy from 'Baht pegged to the basket currencies' to 'managed float exchange currency system' on July 2nd, 1997, the Baht depreciated against US dollar which is the currency mainly used in Thailand's international trading since then. An expected interest of using the managed float system was the growth of export value. Baht devaluation would offer more competitiveness to Thailand products in the world market and encourage the customers in the importing countries to buy more products of Thailand. That would resolve the problem that happened since 1996 when the growth of Thailand export was marginal at 0.3% only.

The key variables effecting export value were:

Demand of Thailand products in the world market. This variable depends mainly on the consumers' level of income, in the importing countries, as well as their taste and preference.

Comparative cost advantage of Thailand products over other exporting countries. If the cost of Thailand products is lower compared with the products from other competitors, Thailand would be able to export more volume of that product.

Appropriate rate of exchange is a key to export. The exchange rate is an indicative input for the importers to compare cost, in their monetary currency, of the same product imported from one and another country. If

the products of Thailand got lower cost comparatively in term of importing country's currency, it would be required by the importers.

The exchange rate is also the indicator of comparative buying power. Any country having weak currency, its buying power is weak too, and that country tends to have deficit balance of payment.

The demand and comparative advantage cost of products are directly related to the competitiveness of Thailand over other exporting countries. The exchange rate, particularly when the consequence is value depreciation, makes up the export value of the country. The information shown in (Table 3.8) reflects the trend of Thailand's export value in relation to the exchange rate (Baht/USD). We found that the export value during July-December 1997 increased following the increased exchange rate after Thailand imposed the managed float exchange system and Baht devalued. However the absolute value of export in 1998 dropped to the level of export before the devaluation though the Baht was still undervalued.



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2) The clients of Thailand export encountered the economic problem as well. The value of Thailand export to those countries therefore dropped. Those countries were such as China, Taiwan and other Asian countries.

3) The economic recession happened in both Thailand's client and competitor countries. The fluctuation of exchange rate during that period had a great impact to the international trading. The trend was hardly predicted. The traders had no confidence over the exchange rate and hesitated to purchase. This was therefore a key of export value decrease. The trend of export value could not be predicted using the information of exchange rate.

The Baht depreciation therefore did not directly effect the increase of export value. The conceptual explaining the increased export value from the effect of the undervalued money and the comparative cost advantage was only right at the beginning after the change. There were some other variables that influenced the export. In other words, exchange rate was not the alone variable of export.

The currency exchanges policy or the regulated monetary value could not be the only factor determining the export trend in long term. The export needs some other inputs such as marketing strategies, tax policies, promotion campaigns, product quality, good manufacturing practices, brand royalties, financial stability of exporting firms, physical distribution system, stability of exchange rate and national political stability, etc. They are all the key elements influencing the export.

The depreciation of money value gave a positive effect to the balance of payment for Thailand. The undervalued Baht discouraged the purchase of imported goods. Deficit balance of trade declined. However the real sector encountered high cost of imported raw materials. Local

Table 3.8 Thai Export Value and Exchange Rate (Baht : U.S Dollar) Period 1996-1998

	Thai Export Value (Hundred Million Dollars)			Exchange Rate (Baht : Dollar)		
	1996	1997	1998	1996	1997	1998
January	45.26	46.66	42.84	25.07	25.48	51.15
February	46.78	43.53	44.9	25.25	25.76	49.2
March	49.16	50.32	48.67	25.09	25.79	42.56
April	42.69	43.67	43.37	25.14	25.89	39.08
May	49.84	49.08	43.28	25.18	26.01	38.53
June	44.13	47.64	46.25	25.26	25.72	41.41
July	45.17	48.82	46.88	25.2	29.49	41.06
August	47.93	49.55	43.48	25.2	31.53	41.01
September	45.72	51.39	46.76	25.17	35.21	40.72
October	46.95	53.08	46.33	25.3	36.38	38.57
November	48.62	49.2	45.55	25.43	38.76	36.54
December	46.99	50.36	46.76	25.36	43.21	35.63
Jan.-Dec.	559.41	583.29	545.07	25.22	30.77	41.3

Source: Bank of Thailand

Since Thailand expected to earn more income from export due to the change of its monetary exchange system with the consequence of Baht depreciation, the export in 1998 under changed value of Baht was just close to the level before the change. This demonstrated that the devaluation was not the key to increase export earning.

The major reasons why export did not increase but shrank in 1998 were:

- 1) Other Asian countries got impact of floated Baht currency and their currencies became depreciated too. Thailand then lost the comparative cost advantage it had just after the moment it changed the currency exchange policy. Thus the export declined and the value finally dropped.

consumers reduced their expenditures as psychologically they assumed the costs of goods were more expensive.

The Baht devaluation from the change of currency exchange policy since July 2nd, 1997 brought into effect of the increased export value for Thailand in short term only. When other countries depreciated the value of their money later, Thailand export declined since then. Thus the correlation between the export value and the exchange rate existed at a certain period only as there were some other variables involved in the export. However the Baht devaluation helped improving Thailand's current account from the deficit to the surplus. Meanwhile Thailand got trade surplus at the beginning. However the surplus of trade balance declined later on and so did the export growth. Again this demonstrated that the currency exchange measures gave positive impact only in the short term. The stability of exchange rate and the export promotion campaigns would be more effective, than the manipulation of exchange rate alone, in supporting the exporters to get products out into the world market.

3.1.4 Strength and Weakness over Thailand's Production and Trade Structures

Strength

1) Thailand has been long developing the strong ground covering the areas of education, public health, human resource and others, which are the key to support the development of industry. It is strong in various products under agriculture, industry and the service sectors. Thailand has also executed the macroeconomics policies that supported the stability of

growth for long time. Thailand is therefore relatively efficient and competitive enough to produce various industrial products in the world.

2) The production and trade of Thailand cover various kinds of goods especially the agricultural and industrial products for export. Meanwhile Thailand produces enough agricultural goods for its domestic consumption and has the surplus for export.

3) Market coverage of Thailand goods is well established. In other words, it has build up various export markets. Sources of imported raw materials are widely distributed and offer the comparative advantage to Thailand. It minimizes very well the possible risk, if any from the economic variation in those countries where Thailand is dealing with.

4) Investment from local and foreigners. This area played an important role in the development of Thailand industry. It offered employment. It brought in new technology. It offered entry into the world market. Moreover it helped development of managerial skills and stimulated the upgrading of product quality.

Weakness

1) Even though the development of Thailand industry has changed the structure of trade particularly the structural shift of export products from the agricultural to the industrial one. The current structure is still lacking of depth i.e. lack of industries in the intermediate level and supporting level. Thus it needs still the capital to invest or to import the raw material especially the machines, equipment and raw materials. The added value in the country is rather low.

2) The foreign investors do transfer the technology to the Thai employees at a limited extend. This limits the opportunity to develop to the further step of advanced technology.

3) The development of technology for industry is very limited. Thailand invested very little in R&D. Researchers and researches are limited. It lacks support on science and technology for the industries. As a result, Thailand lacks strong base of technology to develop the future industries.

4) The administrative procedures of the State and State Enterprise are too bureaucratic and they could not catch up with the current situation especially in the revision of policies and plan execution in order to resolve the problem and facilitate the trade.

5) Thailand is short of skilled resources in various areas such as engineers, accountants and middle Management up.

6) Problem of infrastructure such as electricity, tapped water, telecommunication system and other means of communication, etc. They could not serve the need of growing industries and more coming investment.

7) Thailand is not capable to design and develop the quality, identity and brand name of its own products.

3.2 Thailand Export to Japanese Market

3.2.1 The Structure of Thailand Export to Japanese Market

Japan is the important market of Thailand. It is one of the 3 largest export markets of Thailand. They are USA, Japan and Europe Union. The export to Japan market was worth 493,074 million yen in 1989 and increased to 1,068,174 million yen in 1998 (Table 3.9) or increased over 2 times in 10 years during 1989-1998. The value increased almost every year except in 1993 and 1998. It dropped from 753,341 million yen in 1992 to 723,216 million yen in 1993. And export value was worth 1,157,321 million yen in 1997 then fell to 1,068,174 million yen in 1998.

Table 3.9 Japan's total import value from Thai Unit: Million Yen

1989	1990	1991	1992	1993
493,074	599,312	707,555	753,341	723,216
1994	1995	1996	1997	1998
837,998	949,948	1,111,154	1,157,321	1,068,174

Source: JETRO

The average growth rate of Thailand export to Japan during 1989-1998 was 13% per year. It was 39.7% in 1989 and declined to -7.7% in 1998 (Table 3.10). It varied very much over the years. The growth rate of export to Japan decreased from the rate of 39.7% in 1989 to -4% in 1993 after that the growth rate increased to 15.9%, 13.4%, and 17% in year

1994, 1995, and 1996 (Table 3.10) respectively. The growth rate dropped to 4.2% in 1997 and -7.7% in 1998, which was the low record among those 10 years. The value of import from Thai of Japan trended upward but it fall in 1998 which economic crisis in Thailand.

Figure 3.4 Japan's total import value from Thai, Unit: Million Yen

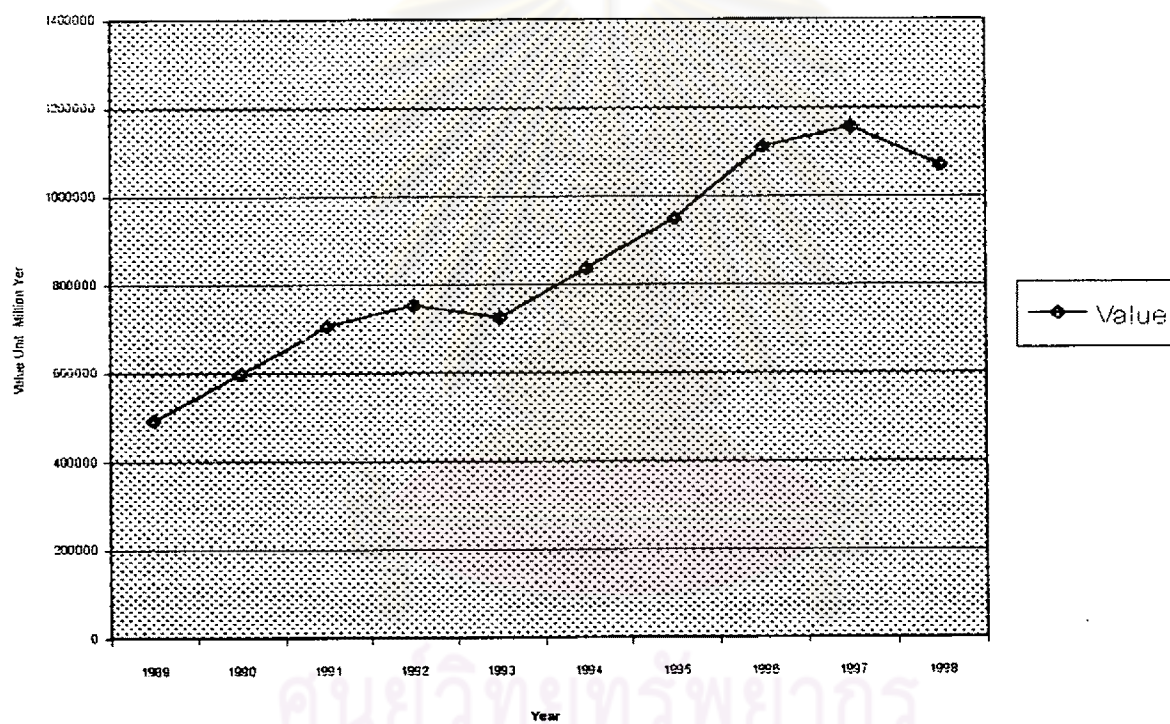


Table 3.10 Growth rate of total Japan import from Thailand Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
39.7	21.5	18	6.5	-4	15.9	13.4	17	4.2	-7.7

Source: JETRO

Before the economic crisis, the value of export to Japan was 837,998 million yen in 1994 and 949,948 million yen in 1995 (Table 3.9), which were accounted to 15.9% and 13.4% growth rate respectively (Table 3.10). In 1996, the growth of export to Japan increased to the value of 1,111,154 million yen or 17% increase. In 1997 when there was the economic crisis in Thailand, the export value increased. The value was up to 1,157,321 million yen, which was accounted to 4.2% growth rate after that the value dropped to 1,068,174 in 1998 or at -7.7% growth rate.

The change of export to Japan over 10-year period from 1989-1998 could be divided into the following product categories:

Agricultural products

The key agricultural products exported to Japan are:

1. Frozen shrimps The value of this product exported to Japan was 53,333,063 thousand yen in 1989 and dropped to 33,410,106 thousand yen in 1998. The value of this exported to Japan increased in period 1989-1991 and 1994 but the value declined in 1992 and 1995-1998 (Table 3.11 and figure 3.5). The growth rate declined almost every during those 10 years except in 1993 when the growth rate increased to 4% in 1993 from -3.6% in 1992 (Table 3.12). There were negative growths in 1992 and 1995-1998 at the rate of -3.6%, -2%, -26%, -16%, and -21% respectively.

Figure 3.5 Japan's total import value from Thai

Frozen shrimp

Unit: Thousand Yen

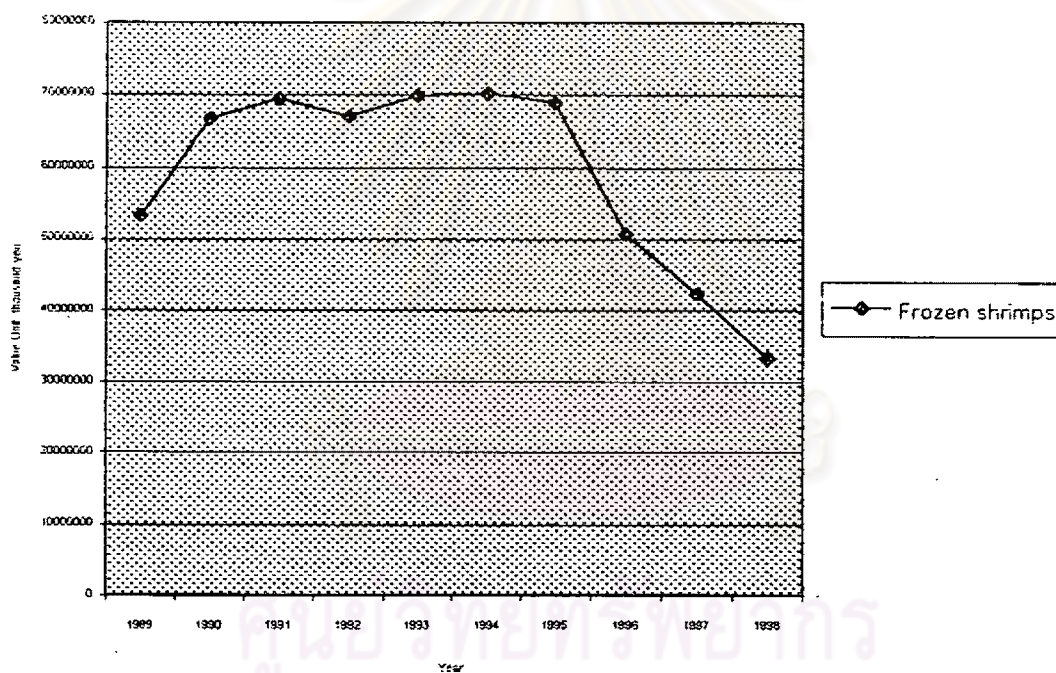


Table 3.11 Japan's total import value from Thai

Frozen shrimp			Unit: Thousand Yen	
1989	1990	1991	1992	1993
53,333,063	66,716,217	69,463,241	66,989,394	69,927,537
1994	1995	1996	1997	1998
70,207,679	68,792,485	50,601,838	42,310,669	33,410,106

Source: JETRO

Table 3.12 Growth rate of total Japan import from Thai,

Frozen shrimp					Unit: %				
1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
41	25	4	-3.6	4	.4	-2	-26	-16	-21

Source: JETRO

Before the crisis, the export value of frozen shrimps to Japan was worth 70,207,679 thousand yen in 1994 and 68,792,485 thousand yen in 1995 (Table 3.11 and Figure 3.5), which were accounted to 0.4% and -2% growth rate (Table 3.12). In other words, the absolute value of export and the growth rate decreased. In 1996 the export value of frozen shrimps to Japan fell to 50,601,838 thousand yen and the growth rate declined to -26%. The economic crisis in 1997 and the change of currency exchange policy did not make up the export of Thailand's frozen shrimp to Japan. The value in that year continued to drop to 42,310,669 thousand yen and growth rate -16%. It continued to decreased in the following year to 33,410,106 thousand yen and the growth rate continued to fall to -21% (Table 3.12). The value trended downward from 1995-1998.

2. Natural Rubber The export of this product to Japan was worth 161,698 thousand yen in 1989 and it contributed -3.6% of growth rate. In 1998 the value decreased to 115,359 thousand yen (Table 3.13 and figure 3.6) or growth rate -45% (Table 3.14). The value declined continuously except in 1991, and 1996, when it increased to 175,478 thousand yen in 1991 from 101,758 thousand yen in 1990. And the value increased to 235,346 thousand yen in 1996 from 147,210 thousand yen in 1995. There were negative growth rate almost every years except in 1991 and 1996 when it was 72% and 60% respectively.

Figure 3.6 Japan's total import value from Thai

Rubber

Unit: Thousand Yen

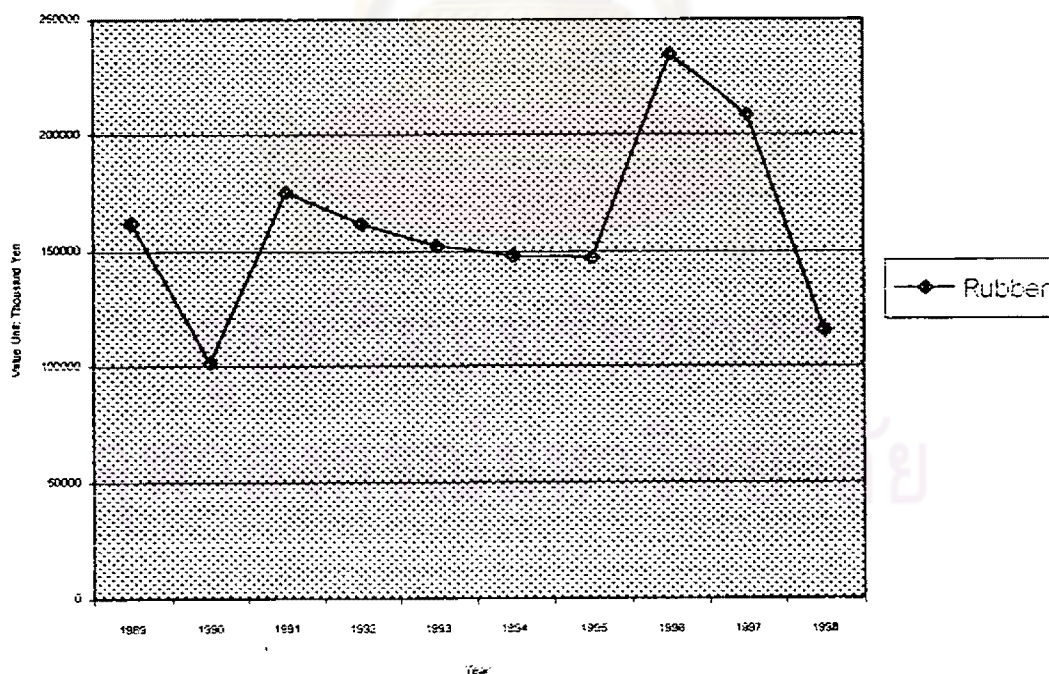


Table 3.13 Japan's total import value from Thai

Rubber			Unit: Thousand Yen	
1989	1990	1991	1992	1993
161,698	101,758	175,478	161,467	152,012
1994	1995	1996	1997	1998
147,938	147,210	235,346	208,976	115,359

Source: JETRO

Table 3.14 Growth rate of total Japan import from Thai.

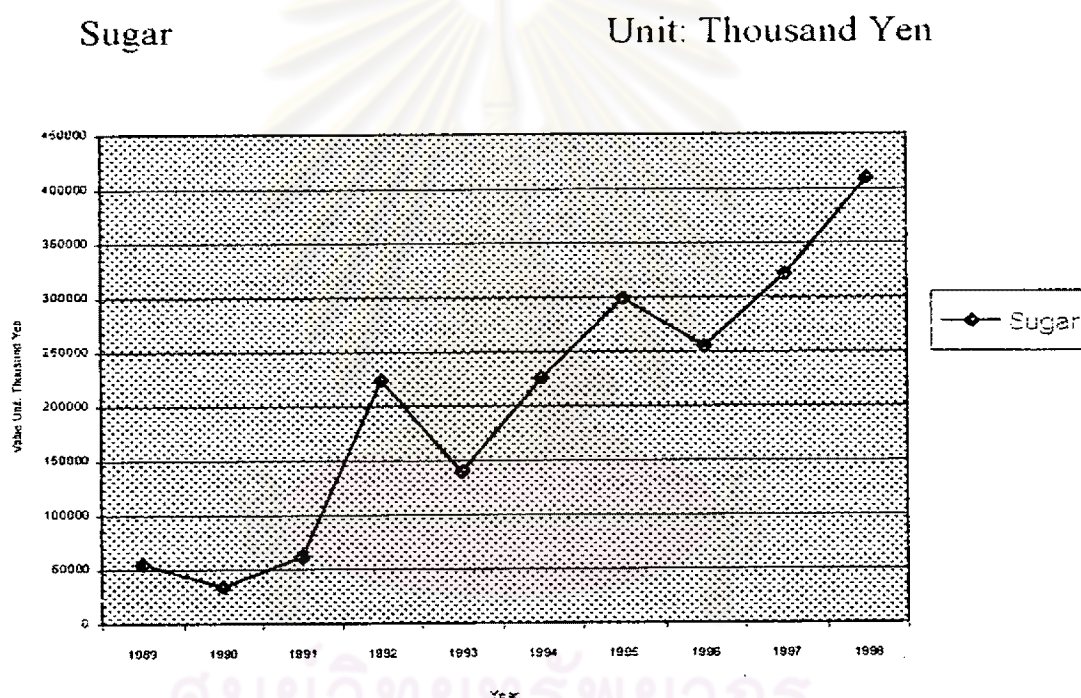
Rubber							Unit: %		
1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
-3.6	-3.7	72	-8	-6	-2.7	-0.5	60	-11	-45

Source: JETRO

Before the crisis, Thailand exported natural rubber to Japan worth 147,938 thousand yen in 1994 and 147,210 thousand yen in 1995 (Table 3.13 and Figure 3.6), which were accounted to the growth rate -2.7% and -0.5% (Table 3.14). The growth rate decreased. The value up to 235,346 thousand-yen and the growth rate increased to 60% in 1996 when the total value of natural rubber export from Thailand grew at high rate. The depreciation of Baht in 1997 did not make up the value of rubber export to Japan. The value in that year declined 208,976 thousand yen and the growth rate -11% . The export of rubber to Japan in 1998 continued to drop at the value 115,359 thousand-yen and -45% of the growth rate. By that time the total value of Thailand rubber export declined as well. The value of this product trended downward in during economic crisis.

3. Sugar The export of sugar to Japan in 1989 was worth 55,382 thousand yen and -29 % of the growth rate while in 1998 the value increased to 409,996 thousand yen (Table 3.15 and Figure 3.7) which was 27% of the growth rate (Table 3.16). From 1989-1998, the growth rate peaked in 1992 was 263% with the total value was 224,183 thousand yen.

Figure 3.7 Japan's total import value from Thai



ศูนย์วิทยทรัพยากร
จุฬาลงกรณ์มหาวิทยาลัย

Table 3.15 Japan's total import value from Thai

Sugar					Unit: Thousand Yen
1989	1990	1991	1992	1993	
55,382	33,939	61,678	224,183	139,994	
1994	1995	1996	1997	1998	
226,599	298,744	254,828	321,977	409,996	

Source: JETRO

Table 3.16 Growth rate of total Japan import from Thai.

Sugar										Unit: %
1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	
-29	-39	82	263	-38	62	32	-15	26	27	

Source: JETRO

Before the crisis the export of Thailand sugar to Japan was worth 226,599 thousand yen in 1994 and 298,744 thousand yen in 1995 (Table 3.15) which the growth rate were 62% and 32%. In 1996 the export of sugar to Japan decreased with the value 254,828 thousand yen and the growth rate dropped to -15%. In 1997 when there was economic crisis in Thailand and the consequence of Baht devaluation, the export of this product grew up to 321,977 thousand yen with the growth rate up to 26%. The export increased in 1998 with the export value 409,996 thousand yen and the growth rate 27% (Table 3.16). The value of this product export to Japan trended upward.

Manufacturing Products

The key products under this study are as followings;

4. Automatic data processing machines and parts thereof

The value of this product group exported to Japan was 317 thousand yen and the growth rate -91% in 1989. It was high increased to 92,061 thousand yen in 1998 (Table 3.17), which growth rate -74% (Table 3.18). Both the value and growth rate increased every year except in 1993, 1996, and 1998 when the value dropped from 134,230 thousand yen in 1992 to 52,452 thousand yen in 1993. In year 1996 the value decreased to 301,546 thousand yen from 684,453 thousand yen in 1995 and the value fell to 92,061 thousand yen in 1998 from 358,126 thousand yen in 1997 (Table 3.17). The growth rate decreased in 1989, 1993, 1996, and 1998 when it was -91%, -61%, -56%, and -74% respectively (Table 3.18). Among those 10 year, the growth rate peaked in 1992 was 35,790% the value was 134,230 thousand yen.

Figure 3.8 Japan's total import value from Thai
Automatic data processing machines and parts thereof

Unit: Thousand Yen

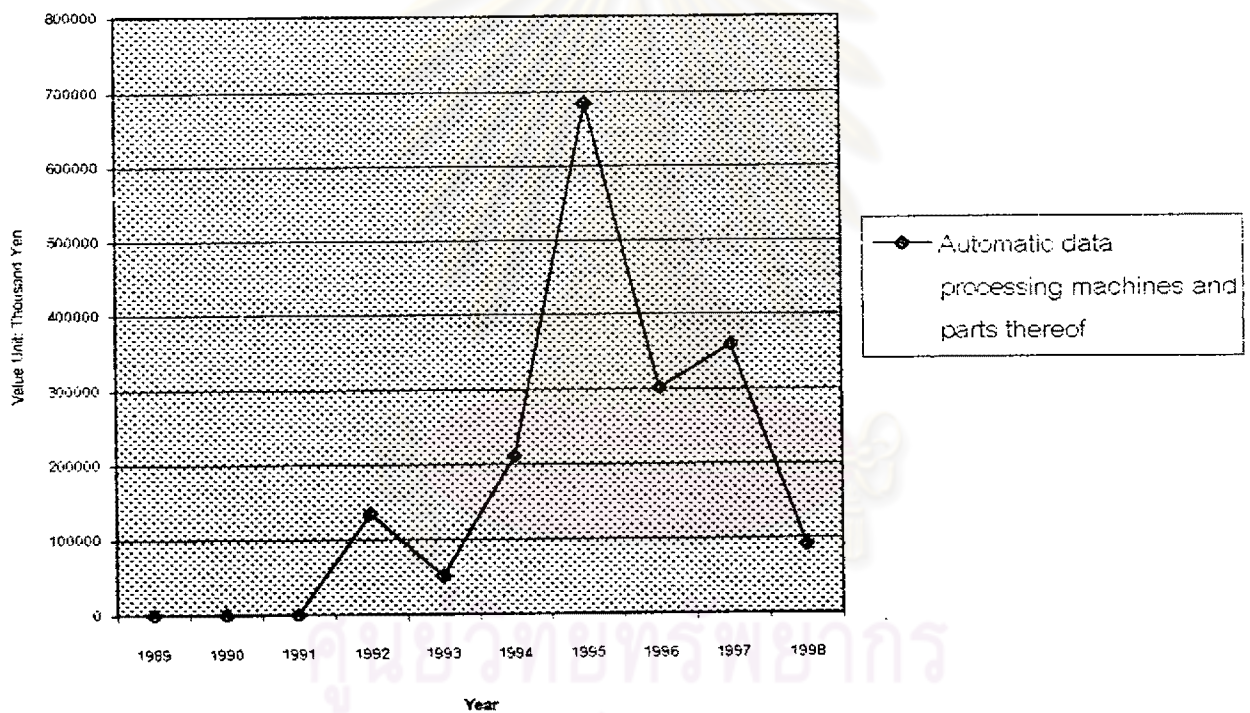


Table 3.17 Japan's total import value from ThaiAutomatic data processing machines and parts thereof

Unit: Thousand Yen

1989	1990	1991	1992	1993
317	653	374	134,230	52,452
1994	1995	1996	1997	1998
210,952	684,453	301,546	358,126	92,016

Source: JETRO

Table 3.18 Growth rate of total Japan import from Thai,Automatic data processing machines and parts thereof

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
-91	106	43	35790	-61	302	69	-56	19	-74

Source: JETRO

In 1994 and 1995, before the economic crisis, the export value of this product grew up. They were 210,952 thousand yen and 684,453 thousand yen respectively (Table 3.17), which were increased to 302% and 69% (Table 3.18). In 1996 the export value decrease to 301,546 thousand yen and the growth rate -56%. In 1997 when Thailand faced economic crisis and devalued its monetary currency, the absolute value increased to 358,126 thousand yen and increased 19%. It fell further in the following year to 92,061 thousand yen and growth rate -74%. Among those 10 years, the value of this product peaked in 1995 was 684,435 thousand yen. The growth rate peaked in 1992 was 35,790%.

5. Electronic integrated circuits The value of export increased every year during 1989-1998 except in 1991, 1992, and 1993.. The value decreased from 7,635 thousand yen in 1990 to 6,732 thousand yen in 1991. Next year, the value fall to 3,156 thousand yen and continued decreased to 2,254 thousand yen in 1993. The export was worth 5,377 thousand yen and growth rate 157% in 1989 and the value increased to 77,770 thousand yen in 1998 (Table 3.19) and the growth rate 7% (Table 3.20).

Figure 3.9 Japan's total import value from Thai

Electronic integrated circuits

Unit: Thousand Yen

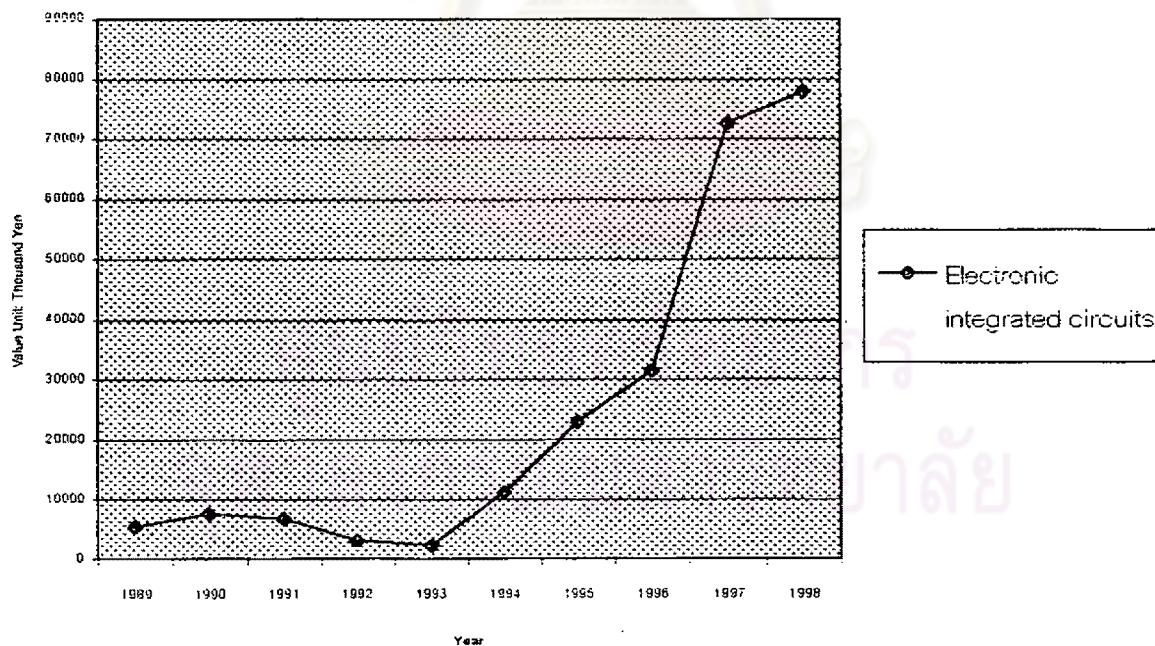


Table 3.19 Japan's total import value from ThaiElectronic integrated circuits

Unit: Thousand Yen

1989	1990	1991	1992	1993
5,377	7,635	6,732	3,156	2,254
1994	1995	1996	1997	1998
11,210	22,996	31,359	72,557	77,770

Source: JETRO

Table 3.20 Growth rate of total Japan import from Thai,Electronic integrated circuits

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
157	42	-12	-53	-29	397	105	36	131	7

Source: JETRO

In 1994 and 1995, before the economic crisis, the export values of this product to Japan were 11,210 thousand yen and 22,996 thousand yen respectively (Table 3.19), which the growth rate 397% and 105% respectively (Table 3.20). The value grew up in 1996 to 31,359 thousand yen and increased to 36%. In 1997 when there was the economic crisis, the export of this product valued up to 72,557 thousand yen and growth rate 131%. It continued to grow further to 77,770 thousand yen, which was increased to 7%. The value of this product trended upward from 1994 to 1998.

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

The value of export to Japan of the product group was 11,176 thousand yen in 1989 and growth rate 808%. The value increased to 25,211,034 thousand yen in 1998 (Table 3.21), which growth rate -18% (Table 3.22). The value increased every year during the period of 10 years in the study except in 1997 and 1998 when the value dropped from 30,926,116 thousand yen in 1996 to 30,576,979 thousand yen in 1997 and decreased to 25,211,034 thousand yen in 1998.

Figure 3.10 Japan's total import value from Thai

Radio-broadcast receivers and parts thereof

Unit: Thousand Yen

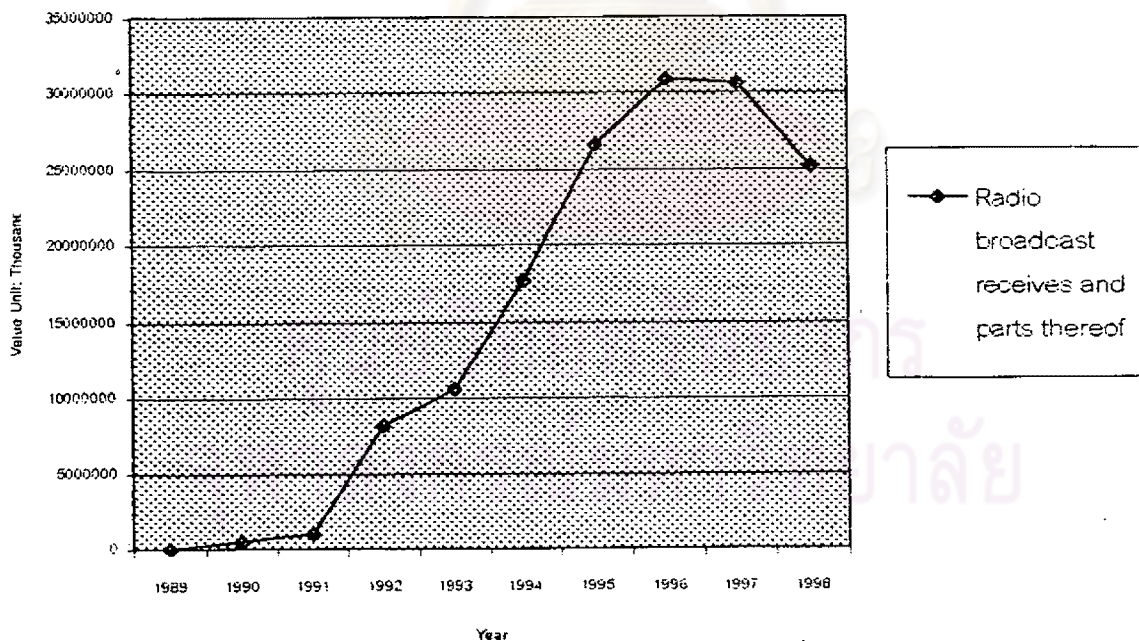


Table 3.21 Japan's total import value from ThaiRadio-broadcast receivers and parts thereof

Unit: Thousand Yen

1989	1990	1991	1992	1993
11,176	506,930	1,008,008	8,142,429	10,546,211
1994	1995	1996	1997	1998
17,668,014	26,602,585	30,926,116	30,576,979	25,211,034

Source: JETRO

Table 3.22 Growth rate of total Japan import from Thai,Electronic integrated circuits

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
808	4435	99	707	30	68	51	16	-1	-18

Source: JETRO

Before the economic crisis, Thailand exported this product to Japan worth 17,668,014 thousand yen in 1994 and 26,602,585 thousand yen in 1995 (Table 3.21), which growth rate 68% and 51% (Table 3.22). The value up to 30,926,116 thousand yen in 1996 and increased 16%. In 1997 when there was the economic crisis and the depreciation of Baht, the value of export to Japan decreased to 30,576,979 thousand yen and growth rate -1%. It dropped to 25,211,034 thousand yen, which growth rate -18% in 1998.

3.2.2 Competitiveness and Market Share of Thailand Product in Japan

Competitiveness Status of Thailand Product in Japan

Japan imported mainly from USA, China, Australia, South Korea and Indonesia. The countries who got increase of market shares were USA, China, Australia, Germany, Philippines and Thailand. South Korea's market share in Japan was stable while Indonesia, Malaysia and Vietnam and Brunei lost their market shares in 1998.

During the study period (1989-1998), Thailand shared 1.7% of total Japanese imports in 1989 and the share increased to 2.1% in 1998 (Table 3.23). Thailand's market share in Japan ranked the 10th among the import origin countries that year.

Table 3.23 Market share of Thai in Japan

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
1.7	1.77	2.22	2.55	2.7	2.98	3	2.92	2.82	2.11

Source: JETRO

The key products that Thailand exported to Japan were Automatic data processing machines and parts thereof, natural rubber, frozen seafood, frozen poultry, radio-broadcast receivers, television receivers and parts thereof, animal feed, sugar, telephone receivers and parts thereof, electronic integrated circuits, processed seafood and processed and favored meat.

The products that Thailand was the top leader in the market were processed seafood and sugar. The ones Thailand ranked second as the market leader were frozen poultry, animal feed, natural rubber, frozen shrimps, and frozen fish.

Thailand gained more market share in Japan over the past 10 years due to its comparative advantage of low labor cost. The reinforced policies to encourage the foreign investment in Thailand with privileges and incentives resulted to the shift of production base from foreign countries especially from Japan into Thailand. Part of the shift was the production for export to Japan. Meanwhile Thailand had developed various forms of products and applied new technology to upgrade the quality of its agricultural products, which all attributed and improved the status of competitiveness of Thailand in the Japanese market. As a result, they improved the market share in Japan. However the economic crisis in Thailand caused the drop of market share in Japan. The share dropped from 2.92% in 1996 to 2.82% in 1997. In 1998 the market share in Japan dropped to 2.1% (Table 3.23).

Market share of Thailand products in Japan

Agricultural products

1. Frozen shrimps

Table 3.24 Market share of Thai in Japan

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
17	18.6	19.2	21.3	21.5	20.7	20.6	15	12	10

Source: JETRO

Over those 10 years under study, the market share of Thailand's frozen shrimps in Japan was 17% in 1989 but dropped down to 10% in 1998. The declination of market share was from 1994 to 1998. They were 20.7%, 20.6%, 15%, 12%, and 10% respectively (Table 3.24). Among those 10 years, the market share peaked in 1993 was 21.5% and lowest in 1998 was 10%. The market share trended downward from 1994-1998. In 1998, Thailand product imported into Japan ranked the fourth after Indonesia, India and Russia. The countries of origin that got increased market share in Japan were Indonesia, India and Vietnam. Russia lost its market share in Japan.

2. Natural Rubber

Table 3.25 Market share of Thai in Japan

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
5.3	3.9	6.9	7.3	7.7	7.9	6.8	9.1	9	8.4

Source: JETRO

Considering the past 10 years (1989-1998), the market share of this product in Japan was 5.3% in 1989 and increased to 8.4% in 1998 (Table 3.25). In during economic crisis (1997-1998), the market share declined from 9.1% in 1996 to 9% in 1997 following year continue decreased to 8.4%. Among those 10 year, the market share peaked in 1996 was 9.1% and lowest in 1990 was 3.9%. The import of this product from Thailand ranked first among all countries of origin. Other countries who increased the market shares were Singapore and Sri Lanka. Indonesia and Malaysia got their market share decreased.

3) Sugar

Table 3.26 Market share of Thai in Japan

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
15.4	4.3	26.3	35.2	27	37.1	35	31	32.6	45.5

Source: JETRO

Over the past 10 years, the market share of Thailand's sugar in Japan was 15.4% in 1989 and it increased to 45.5% in 1998 (Table 3.26). Among those 10 year, the market share peaked in 1998 was 45.5% and lowest in 1990 was 4.3%. The market share trended upward in during economic crisis (1997-1998) In 1998 the import of Thailand sugar into Japan ranked first among all supplying countries. Other exporting countries that increased the market share in Japan were Australia, South Africa and Brazil. The market share of Fiji declined.

Manufacturing Products

1) Automatic data processing machines and parts thereof

Table 3.27 Market share of Thai in Japan

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
0.009	0.002	0.009	3.8	0.17	0.5	1	1.5	2	1.27

Source: JETRO

The market share increased over the past 10 years (1989-1998) except in 1993 and 1998. The market share decreased from 3.8% in 1992 to 0.17% in 1993 and declined from 2% in 1997 to 1.27% in 1998. The market share was 0.009 % in 1989 and increased to 1.27% in 1998 (Table

3.27). Among those 10 year, the market share peaked in 1992 was 3.8% and lowest in 1989 and 1991 was 0.009%. The market share trended downward in during economic crisis. The import of Thailand into Japan ranked number six in the list of origin countries. The first four were USA, Singapore, Taiwan, and Malaysia respectively. Singapore, Taiwan and Malaysia increased their market share while USA got the share decreased.

2) Electronic integrated circuits

Table 3.28 Market share of Thai in Japan

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	998
0.3	0.4	0.5	0.3	0.2	0.4	0.6	1.3	1.1	1.3

Source: JETRO

The market share of this product in Japanese market increased over the past 10 years. It was 0.3% in 1989 and increased to 1.3% in 1998 (Table 3.28). The market share got to the peak of the period under study in 1996 and 1998 to the level of 1.3%. The market share trended upward in during economic crisis period 1997-1998. In 1998 Thailand ranked number nine of the origin countries from where Japanese got the supply. USA, South Korea and Taiwan ranked number one to three respectively. The country increased the market share in Japan was Taiwan while USA, South Korea and Singapore got their market share decreased.

3) Television receivers and parts thereof

Table 3.29 Market share of Thai in Japan

Unit: %

1989	1990	1991	1992	1993	1994	1995	1996	1997	998
0.004	2.2	2.6	16.8	15.2	17.3	20.5	20.2	21.6	18.6

Source: JETRO

Over the past 10 years during 1989-1998, the market share of this product in Japanese market was 0.004% in 1989 and increased to 18.6% in 1998 (Table 3.29). The share high increased in 10 years period. During economic period (1997-1998), the share was 19.2% in 1996 increased to 20.7% in 1997 and fell in 1998 to 17.4%. In 1998, Thailand ranked the third among the countries from where Japan imported this product. Malaysia ranked the first and China the second. China and Indonesia increased their market share in Japan while Malaysia and South Korea got the share decreased.

Key Competitors of Thailand in Japanese Market.

1) USA; It competed with Thailand in the product areas of automatic data processing machines and parts thereof, frozen chicken, animal feed, frozen fish, telephone set and parts thereof, electronic integrated circuits.

2) China; It competed in the areas of fresh and processed seafood, frozen chicken, television receiver, animal feed, telephone set and part thereof, processed and favored meat.

3) Australia; It competed in sugar and animal feed.

4) South Korea; competed in fresh and processed seafood, television receiver and electronic integrated circuit.

- 5) Taiwan; Competed in automatic data processing machines, electronic integrated circuit.
- 6) Indonesia; Competed with Thailand in the areas of natural rubber, fresh and processed seafood and television receiver and parts thereof.
- 7) Malaysia; Competed in automatic data processing machines, natural rubber and television receiver.
- 8) Singapore; Competed in natural rubber and electronic integrated circuit.
- 9) Philippines, Competed in frozen shrimp, electronic integrated circuit, and television receiver and parts thereof.

3.2.3 Trade Cooperation between Thailand and Japan

Trade cooperation which could be summarized into 3 Agencies/Institutes as followings:

1. Japan External Trade Organization, JETRO. This is the semi-government. Its objective is to establish the balance of trade between Japan and the other countries in the world. JETRO is one of the key-supporting agencies as it has supported many projects in various forms i.e.

1) Annual Co-operation Project. This objective of this project is to develop and support the export, which is divided into 5 activities as follows:

- Providing knowledge to Thai manufacturers through the specialists from various areas of expertise.

- Conducting market test for the products of Thailand in Japanese market.
- Organizing the market survey in Japan for the trade delegation from Thailand.
- Organizing the trade talk during the visits of Thailand's trade delegation.
- Conducting market survey in other markets outside Japan by its specialists.

In the last 3-5 years, JETRO has assisted in developing and supporting the export of 6-7 products each year. The activities of each product differed according to its need and level of development. In 1996 JETRO reduced numbers of product down to 4 but a key selective product will be on-going developed for 3 consecutive years.

2) Senior Trade Advisory Dispatching Program, STAR. Under this program, Japan provided its experts in the production and marketing areas to educate and give advice to Thai manufacturers for the period of 3-6 months.

3) Domestic Trade Fair Participation Supporting Program. The program gives support in participation of Thailand products in Japan.

4) Import Mission Dispatching Program. Under this program the Japanese importers are invited to visit the trade exhibition in Thailand and talk over possible trade between both countries.

5) Export to Japan Study Program. The program helps organizing trips for the exporters of Thailand to visit Japan and to meet with the Japanese importers/manufacturers as well as the concerned parties in order

to exchange the ideas and collect the information regarding the production and market in Japan.

6) International Houseware Show, Tokyo. The program supports Thai producers/exporters of Houseware products to participate in the Tokyo Exhibition Show. This program is managed separately from the Domestic Trade Fair Participation Supporting Program.

2. *The Asean Promotion Center on Trade, Investment and Tourism, APC.* Its objective of this center is to build up the international relationship among the Asean countries and Japan through the promotion of trade, investment and tourism. The Japanese government supports 90% of the capital while other Asean countries bear the balance of 10%. The key activities under this center are:

1) The establishment of APC Permanent Exhibition Hall (PEH). The hall will be used to exhibit the product samples from the Asean countries and to provide information regarding trade, investment and tourism of the Asean countries, too.

2) Supporting the participation of Trade Exhibition in Japan and will support the exporters of Thailand to participate in the Exhibition.

3) Conducting the activities in Japan in order to promote the import of products from Asean countries and encourage investment and tourism in those countries.

3. *Asian Trade Promotion (ATP) Forum.* This is a forum among the top executives from the agencies concerning trade promotion in Asian region. The forum is organized each year to establish relationship and sharing of experience as well as building up the collaboration among those agencies. There are total 12 members comprising Japan, China, Taiwan,

Korea, India, Thailand, Sri Lanka, Bangladesh, Pakistan, Mongolia, Hong Kong and Nepal.

The activities under this ATPF that concern Thailand are:

1) Asian Trade Promotion Activities Information Network (ATRAN). The program was established to encourage the exchange of trade information among the member countries. JETRO is the coordinator of the program.

2) Training Program for the Staff of International Trade Promotion Agencies. The objective of the program is to educate and train the staff of those concerned agencies from the member countries in order to extend their capability and increase their related skills.

3) The establishment of ATP Forum Bulletin. JETRO subsidizes all expenditure to establish and issue, twice each year, the ATP Forum Special Edition. The edition publicizes the information that obtained from the member countries through their international trade promotion agencies. The bulletin is established in the form of Supplement and is distributed in together with the regular Newsletter of JETRO - Trade Scope.

In conclusion the assistance from Japan regarding the trade promotion is very beneficial especially the providing of specialists to educate and help developing of the new products that meet the market requirement. This offers the opportunity of market entry into Japan. Thailand exporters and manufacturers have opportunity to meet the importers in various trade exhibitions and gained more information in relation to Asian countries. The development of human resources concerning trade promotion is recognized as well.

3.2.4 Strength and Weakness over Trade of Japan

Strength

Japan is very successful in rapid development of the country especially in the areas of trade and industry. It becomes powerful in the world economy. The strength of Japan is list below:

1) The Japanese businessman and industrialist focused the use of capital in R&D. There has been continuous development over manufacturing technology. They got high quality product. They introduced many new products into the market. All those efforts brought Japan to the world market leader of various industrial products.

2) Japanese established the network of information both domestically and internationally. They integrated the business horizontally and vertically, which helped to establish joint-policies and share mutual benefit between the government and the private sectors and also among the private firms. This also increased the bargaining power either as a buyer or as a seller in the international market.

3) Japan is one the wealthiest countries in the world. Due to the high ratio of saving, the capital is abundant and costs lower than in other countries. Japan is therefore able to invest for long term. They could invest to enter into the new markets or to compete in the market by offering low prices or offering credit terms at low interest rate. This gives Japan the competitive edge over others in the world market.

4) The market conduct of Japan exists strongly the close relationship (Keiretsu). They all rely and support each other in most areas such as manufacturing, financial and distribution. They trade among the group in many products such as motorcar, electrical appliance, cosmetic,

camera and photographic materials, medical products, etc. This becomes a barrier for others to enter into Japan market.

5) The management style of Japan offers the employees to participate in decision making process. The employees are therefore dedicated and disciplinary. They work hard as a strong team. This makes Japanese firms efficient and productive.

Weakness

1) Japan is geographically weak. It is scarce of natural resources. It relies on the import of raw material for industrial use. The dependency level to the import of natural resource is very high. The agricultural land is limited and the harvest is far under its domestic consumption i.e. its food production could fulfill only 71% of the domestic demand. At present Japan is the industrialized country who imposes very high rate of subsidy and protection to its agricultural sector. Under GATT agreement, Japan will have to change the structure of its agricultural production. The reduction of subsidy and protection will put Japan in the status of more dependence to the import of food and raw material from other countries.

2) The potential of Japanese competitiveness declines as a result of Yen appreciation. Japanese products become more expensive especially when accounting it in US dollar, which is undervalued. The export of Japan will slow down while the imported products will be able to compete better in the Japanese market.

3) The development of social and economy changed the structure of economy and trade of the country. Some industries had to go out of the business. They lost the comparative advantage as they are short of labor. The labor could choice the types of job. They objected dirty, dangerous

and difficult works. They tend to switch to the service sector, where demand is high and working condition is more pleasant, and the advanced technology industries, which require intensive use of capital and highly skilled labor.

3.2.5 The Trade Regulations of Japan

Japan imposed many laws and regulations in order to control the imports, which involve many Ministries. As most of the problem of Thailand regard to agricultural products, Thailand then has to connect with the Ministry of Agriculture and the Ministry of Public Health of Japan. Over 80% of Thailand exporters do not know import regulations and leave with the Japanese agents to manage. It is important to publicize this information to the exporters and the concerned parties in Thailand so that all procedures are correctly followed.

Import regulations

The principle law that controls the import is the Foreign Exchange and Foreign Trade Control Law. MITI is in charge of the import control. It co-ordinates with the Ministry of Finance, Custom Department and The Central Bank of Japan.

Goods required import permit. Many kinds of goods are imported under quota and require the import permit or they are imported from the origin countries under the control lists. Japan imposes the import quota of some kinds of goods. For instances, tapioca starch quota is 150,000 tons per year at the tariff of 25%. Precious stones and decorative get the GSP under the value quota of Yen 4,300 million. The non-quota import will

face 6% import tariff. Moreover, there are import quotas imposed on rice, wheat, barley and some milk products, etc.

Goods prohibited to import. Japan prohibited the import of some agricultural products in order to prevent pathogen and animal disease, which may contain in the imported goods from the origins such as vegetables, fruits and animal products. For instance, Japan allows the import of unripe banana only. As the ripe one may contain insect, Japan thus prohibits the import.

The regulations concerning safety and standard of product. Japan imposed regulations in regarding to the safety and standard of some imported products such as food and beverage, food additives. This is under the responsibility of Ministry of Public Health. For example, the level of anti-biotic contamination in the seafood product must be zero. If found, the consignment will be destroyed.

The regulation is concerning packaging and labeling. Japan allows the packaging of any material, which is safe, and enduring to transport conditions except the packaging that the material is made of straw. Regarding labeling, Japan has strict control over the labeling especially the food products.

Inspection. Japan imposed the list of products requiring strict inspection such as plants and animals in order to control pathogen and animal disease. The imports must be fully inspected and obtain the certificate from the governmental agency of the origin countries that Japan has qualified. The examples of plants under inspection are cereals, beans, vegetables, fruits and fresh flowers. The examples of animal under inspection are chicken, duck, goose as well as some animal products such as honey.

Standard of product. There are 2 types, which are:

1) Imposed standard. This covers the products under 13 key laws that enforce the use of standard marks. There are 2 marks i.e.

- S mark: for the safety of products such as electrical appliance, toy and sport equipment.
- SG mark: for the safety of products such as stroller, walking stick and motorbike.

2) Voluntary standard. The standards that were established by the government and private sectors are;

- Japanese Agricultural Standards, JAS : This standard involves agriculture and forestry and is responsible by The Ministry of Agriculture. The standard mainly focuses on food products both locally produced and imported. It covers the labeling that informs the product quality and product content.

- The problems form trade regulations of Japan

Japanese trade relations were that Thailand had deficit balance of trade with Japan. The deficit was high and trended upward. The growth rate of export to Japan was lower than the growth rate of import from Japan.

The problems from many regulation as following:

- Japanese consumers were very strict to the quality of the products while Thailand's products for export had limitations and constraints to meet the quality requirement. Thus Thailand products could not grow well in Japanese market.
- Japan has committed to lessen the imported barriers under the trade and tariff agreement. Japan had reduced the tariff rate to the very low level and also proceeded many activities to promote the import of

products. However, there were still the non-tariff barriers as well as the market structure and business conducts, which obstructed the market entry of Japan.

- Some applications did not support the export of Thailand. One was the measure to incentives the investment for export, especially the waiving of import tax for raw materials and parts that were used for export products. Another example was the business tax calculation that allows using cumulative loss in the previous years deducted from the profit. They encouraged the transfer of profit of the multinational companies by declaring overprices of raw materials and under values of the export products. This helped to increase loss in the account that could be deducted from the profit. While the local producers of intermediate products and the parts had to bare higher business tax, they could not compete with the imported ones. In conclusion, the BOI privileged firms did not really add the export value to the country. As a result, the import increased while the export declined. The final consequence was the deficit balance of trade against Japan, which was the largest source of foreign investment, and also the deficit trade over the rest of the world.

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