

## COMPLETION REPORT

In the past two decades, intra-regional trade among developing countries has been growing rapidly due to the expansion of international production fragmentation, i.e., cross-border dispersion of production of parts and components within vertically integrated production chains. This has been an important phenomenon within productive integration in East Asia. Many papers have reported and confirmed these facts, such as Kimura and Ando 2005, Athukorala and Yamashita 2006. Japanese FDI in the region has long played an important role in the agglomeration or industrial clusters in several countries. In other words, MNEs are lead firms and in this process of ‘division of labour’, they chose to locate their manufacturing activities according to comparative advantage. The intra-industry trade for East Asian countries, particularly in machinery parts and components, has been increasing since the 1990s.

This research examines the pattern of intra-industry trade between Thailand and key partners during the past two decades, based on UN Comtrade database. Research findings on trade integration found that intra-industry trade (in automotive industry) among ASEAN members has been increasing. In addition, Thailand has strong trade linkage with Japan. An interesting characteristic for Thailand trade is that Thailand has trade surplus in automotive products but deficit in automotive parts. This shows that Thailand is a production and export hub in ASEAN and procures parts from the Japanese international production network within ASEAN and extra-ASEAN. While other countries, such as Malaysia, Indonesia, the Philippines and Vietnam have trade deficit in both automotive products and automotive parts. This may reflect the different status of industrial development.

Japanese carmakers have invested extensively in the region, hence, we can expect an increasing of intra-industry trade among countries. Research findings confirm this fact. We found that, during 1992 and 2010, the structure of trade between Thailand key trade partners ASEAN+6 (which include, Indonesia, Philippines, Malaysia, Vietnam, China, South Korea, Japan, India and Australia) has changed from one-way trade to be more intra-industry trade. In addition, within the intra-industry trade, we observe a different pattern. For automobile products, majority of intra-industry trade is “horizontal” intra-industry trade. However, in automotive parts, the pattern has shifted to become more “vertical” intra-industry trade type, meaning that Thailand’s trade in different quality of product with trade partners. For instance, Thailand may import high value parts from Japan (such as engine or electronics part) but export simple parts to Japan. At the same time, Thailand may export autoparts to Vietnam for domestic assembly, while import low value-added or labour-intensive parts from Vietnam.

Although trade pattern has evolved in this trend, the tsunami in Japan and the worst flood in Thailand in 2011 may change the future investment policy. For example, in Thailand, new automobile and autoparts firms may choose to locate in the region that is unlikely to flood. It is also possible that new investment may go to other ASEAN countries and exchange products and parts. This process is gradually changing and it may take some time to see how it will actually evolve.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)

1. June 8, 2012, Thailand Economic Conference, Bangkok., “Intra Industry Trade in the Thai Automotive Industry”, Kriengkrai Techakanont and Tassanee Homklin
- 2..August 22, 2012, Durban Automotive Cluster conference, in Durban, South Africa, “Historical development of the automotive industry and cluster in Thailand”, Kriengkrai Techakanont
- 3..September 20, 2012, ERIA Capacity Building Hanoi, guest speaker, intra-industry trade linkage between Thailand and Vietnam, Kriengkrai Techakanont
- 4..October 4, 2012, the 9th Asialics conference, Dusit Thani, Manila, the Philippines, “An evolution of the Thai automotive industry to an engineering hub”, Kriengkrai Techakanont

Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.)

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Book (Publisher and Date of the Book, Title and Author of the Book, etc.)

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