

Sutiphan Wannachat 2006: Effects of Changes in Government Policy after the 1997 Economic Crisis on Market Power and Economic Performance of Automobile Industry in Thailand. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Mr. Jeerasak Pongpisanupichit, Ph.D. 118 pages. ISBN 974-16-2861-7

Automobile industry in Thailand was established in 1961. In the early years, the domestic production was aimed to substitute import, while domestic demand was increased rapidly. The 1997 economic crisis slowed down the industry significantly. Government, therefore set policies and measures to protect domestic producers, repealed using the local content in 2000 and allowed for free opening of factories to produce cars in 2002. Changing government policies and measures from time to time may affect structure and performance of domestic producers. This study therefore aimed to measure the effect of the policies and measures after the economic crisis on market power and on economic performance of automobile industry. This study used secondary data during 1990-2005 to estimate demand and marginal cost equations of the cars under the brand name of Toyota, Honda, Mitsubishi and Nissan. The simultaneous equations were estimated by two-stage least square method. The estimated demand and marginal cost equations were used for measuring the market power and economic performance, and the changes of consumer's and producer's surplus.

The empirical study shows the following: (1) the changes in policies in 1997 which reduced the value of baht caused to raise the marginal cost and price of Toyota, Honda and Mitsubishi cars, but to have a negative effect on Nissan cars. However, demand for all the four brands was reduced. The market power and economic performance of Toyota and Honda cars increased but Mitsubishi and Nissan cars decreased. (2) The changes in policies in 2000, repealing using the local content, caused loss to the marginal cost and price of Toyota, Honda and Mitsubishi cars and raised the demand. The policy had a negative effect on Nissan cars. (3) The changes in policies in 2002, allowing for free opening of factories to produced cars, increased domestic cars demand and economic performance of the industry. The study suggests that government should continuously adjust the policy measures properly so that Thailand could become the Detroit of Asia.

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