

ECONOMIC

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AUTOMOBILE AND PARTS INDUSTRY / INDUSTRIAL POLICY / EXPORT / PUBLIC AND PRIVATES ROLE / TRANSNATIONAL COMPANIES CHAIYOS JIRAPRERKPINYO ; THE CHANGING ROLE OF PUBLIC AND PRIVATE SECTORS IN THAILAND'S AUTOMOBILE AND PARTS INDUSTRY IN THE 1990S. THESIS ADVISOR : ASSO.PROF. PASUK PHONGPHICHAIT, Ph.D. THESIS COADVISOR : ASSO.PROF. SUTHIPHAND JIRATTVAT, Ph.D. 242 pp. ISBN 974-637-113-4

Given the high potential of Thailand's car market, public policy and other investment promoting factors induced Transnational Companies (TNCs) to establish automobile and parts production sites in Thailand. Consequently, Thailand expects to become an exporting site of automobiles and parts too.

This thesis identifies the major factors determining the capacity and future orientation of the automobile and parts industry, which may currently be characterized as an Import Substituting Industry (ISI). The analysis is motivated by the fact that effective public export policies must reflect and depend on the TNC's export policies.

In general, TNC's prefer to sell in the domestic market rather than foreign markets, as sale on the former is generally associated with higher profits. TNC's domestic market orientation is further encouraged by the 'build as you sell' policy. As neighboring developing countries generally want investments in their automobile and parts industries, there has been a considerable over-investment in the region. Together with technological advancement, the over-investment has caused the industry's total production capacity to exceed the capacity required to satisfy domestic and export consumption. The prospect for increased exports of parts is greater than that for automobiles. Clearly, the export of parts depends on the domestic industry's comparative production advantage and competitiveness which reflect the quality of its technological base. Obviously, the quality of the technological base of TNCs has been higher than that of Thai firms. The future orientation of Thailand's automobile and parts industries is thus predicted to be ISI, implying current account problems because production process uses highly value-added, imported production inputs.

This thesis further shows that Thailand's industrial policy is generally designed to cover all of industry, focusing on the promotion of free trade and competition through the unrestricted working of the price mechanism. Public policies on technology and productivity development are considered to be ineffective. As the scope of the current industrial policy of local content regulation will stop in 1998, Thai part industries must hurry up to improve their competitiveness in order to compete with the import of parts more effectively, thus increasing their market shares in the growing domestic parts market. To achieve this goal, Thai firms have adopted two major business strategies: the expansion of production capacity and the development of ISO 9000 quality standards, in order to be eligible to establish links/joint ventures with TNCs, encouraging market and technology development and the cooperation between firms producing parts in the ASEAN region.

Public institutions should abandon their passive roles and adopt more progressive policies, aimed at improving the technological base and labor productivity in Thailand's part industry firms. To counter the current account deficit problems, a restructuring of public institutions and the implementation of accountability mechanisms are required.

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