Komsan Suriya : An analysis of export growth slowdown of Thailand in the 1990s

Thailand exports to the world market grew at the average annual rate of 25.19% between 1986-1996. The growth slowdowned to 19.05% on average between 1991-1995. After that, Thailand experienced an export shock. The growth declined to only 0.34% in 1996. In this study, the constant market share (CMS) model was applied to decompose the sources of export growth. Econometric models together with descriptive methods were used along with the CMS to analyse the long-run changes in Thailand's market share in comparison with competitors' shares. Our study shows that the rapid growth of exports of Thailand in the late 1980s was assisted by the growth of the world market, improvement in Thailand's quality and increases in the export variety. The slowdown in the early 1990s was mainly due to erosion in Thailand's international competitiveness because the country's real wages increased at the rate which higher than the rate of growth of labour productivity. Furthermore, Thailand was also adversely affected by proliferation of nontariff barriers and the adverse impact of the North American Free Trade Agreement (NAFTA). Main factors distributing to the 1996 export shock were nontariff barriers, sudden decline in demand for rubber and electronics products in the world market, and also the adverse effect of the NAFTA. Other factors were diseases in shrimps, competitors' strategic action, and factory closing due to declining competitiveness. Moreover, VAT scandal might also play a part in explaning Thailand's export shock in 1996.