

Karnjana Sanglimsuwan : A study of structure and comparative advantage of
compressor industry in Thailand

The objectives of this study are to analyze the domestic compressor industrial structure, industrial concentration and comparative advantage of this industry. The study will consider only the compressor of air-conditioner for home-use. Three indices are employed to measure the industrial concentration: concentration ratio, herfindahl summary index, comprehensive concentration ratio. The product capacity data for 12 years (1988-1999) are used in this study. The methodology for comparative advantage study is domestic resource cost, which is compared between 1995 and 1998. For the first part, it is found that industrial structure of this is oligopoly industry. There are currently five companies and the competitiveness or the sellers concentration study from the past until now shows that the concentration of industry is rather high because compressor industry requires high investment capital with modern technologies which are barrier to entry for new entrepreneur. However, the concentration of this industry tends to decrease due to the effect of trade liberalization and investment promotion policies from government. More producers are persuaded to enter the industry and most of them are likely to be joint-venture companies. Besides from the domestic competition, the producer has to compete with foreign producers who have large capacity and economy of scale. For the second part, the calculation of domestic resource cost during the two period shows before changing exchange rate system in 1995 the average DRC/SER ratio is 0.94 that below one. It implies that the cost of production for compressor in the country is cheaper than imported product. However, in 1998 the average DRC/SER ratio is 1.19 that exceeds 1. The industry loses its comparative advantage due to the expansion of investment during the recession. Therefore, the government policies that aim to support the compressor locally producer should emphasis on encouraging demand or expands market including reducing import tax of raw material