

ABSTRACT

The automobile industry is a very big industry and, one of the most important industries, if not the most, for Thai economy. Government in each era has given priority to the industry, and, from time to time, have issues several policies aiming at promoting the industry. As a result of such policies, the automobile producers have been protected, since Thailand had its first automobile assembly plant. Commencing from 1991, there have been several efforts trying to liberalize and deregulate the automobile industry due to several domestic and international pressures. On the domestic side, number of cars produced domestically did not meet the rapidly surging demand of Thai consumers. On the international side, membership in international organizations, ranging from the GAAT which has later been transformed into the World Trade Organization, also obliged Thailand to open up its domestic market. After the liberalization, it is believed that competition in the automobile industry becomes much more intense than in the past. Such intense could be felt from the increased number of brands and models. Many foreign automobile producers have entered Thailand market and started their production in Thailand.

This thesis is primarily aimed at gauging the level of competition and the market power of the automobile producers in Thailand automobile industry after the liberalization and deregulation. The time frame covered by this study is from 1993 to 2000. In the past, the study of this nature was influenced by the “structure-conduct-performance frame work” (SCP), which usually looks at the relationship between the concentration in the market and the market power. This thesis, however, tries to propose another option for analyzing market power, by indirectly estimating price over marginal cost from the relationship between price over marginal cost (mark-up), short run elasticity of output with respect to input, and factor shares.

Moreover, this thesis is interested in studying how mark-up of each company moves in relation to business cycle of the company. The result of the study shows that each automobile producer in Thailand has sufficient market power to set the price for its car much higher than its marginal cost, and the mark-up of each company quite varies from each other. The mark-up of most companies is in the same level, except for some company of which the mark-up significantly differs from those of others.

The mark-up tends to move in the same direction as the condition of the economy facing the company at a particular time. The mark-up tends to increase when a company can sell more of its products, or can reduce its production costs, and vice versa. Such movement of mark-up is consistent with the actual data of the movement of the price and the raw materials for automobile assembly.