

ABSTRACT

This study examines horizontal intra-industry trade (HIIT, henceforth) and vertical intra-industry trade (VIIT, henceforth) between Thailand and its 51 major trading partners from 1991 to 2003. HIIT and VIIT indexes which measure the extent of each type of IIT are computed by using trade data at 4-digit Harmonized System (HS, henceforth). In addition, this study provides a method of examining production fragmentation and processing differentiated products which explain IIT. By doing this, manufactured products are decomposed into finished products and parts and components products using trade data at HS 6-digit. Then, decomposed parts and components IIT indexes are calculated for selected countries and industries. This study uses nonlinear least square regression for finding the determinants of HIIT and VIIT in cross-country and cross-industry analysis. Panel data analysis is another method in estimating the determinants of HIIT and VIIT in cross-country analysis.

The results from the HIIT and VIIT indexes indicate that Thailand's HIIT is much smaller than VIIT. During the period of study, the dynamism of VIIT shows significant increases overtime, whereas the extent of HIIT is quite stable. Thailand's IIT is concentrated on the major ASEAN countries such as Malaysia, the Philippines, and Singapore as well as Japan, Taiwan, and China. IIT between Thailand and China has been increased rapidly as compared to the others. IIT in Machinery and electronics products prevail over other manufactured products. Subsequently, most econometric results of the determinants of HIIT and VIIT are not so conclusive. However, there are 2 major findings from the econometric results. Firstly, HIIT is statistically explained by size similarity between two countries and trade barrier, while VIIT is statistically determined by average market size and trade barrier. Secondly, the monopolistic competition and multinationals involvement statistically explain HIIT.

The decomposed part and components IIT indexes point out that trade in processing differentiated products which is embodied in parts and components trade is the main source of VIIT. Finally, the analysis of integrated circuits or ICs shows that multinationals, foreign direct investment and processing differentiation enhance IIT, especially VIIT.