

Examination into Para Rubber Trade between Thailand and China Business Development's Implications

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Abstract

This article examines the circumstance surrounding the Para rubber commerce between Thailand and China. The focus is on the factors that have had the impacts on the Para rubber commerce between Thailand and China. The study shows the obstacles of China's Para rubber imports and the higher quantity of China's Para rubber, the unstable of the Para rubber's prices, the causes of Thailand slowly Para rubber production and the interrupted flows of the news on Para rubber between Thailand and China. The proposal on how to tackle the hurdles from China's Para rubber import, to promote the cooperatives in Para rubber commerce between Thailand and China is developed. This development recognizes the roles of relevant public agencies on both sides to help business development.

Keywords: Para rubber, business development, and international trade

1. Introduction

China is the largest Para rubber consumption in the world. In the recent years, there has been an upward trend for automotive industries in the country for both domestic consumption and export to other parts of the world, which results in higher demand for rubber use. On the other side of Para rubber producing countries, Indonesia, Malaysia and Thailand are the major countries for Para rubber production in the world market. Thailand exports Para rubber 90% and 10% are using in the country. Thailand's main Para rubber exporting countries are China with the highest export volume, followed by Japan and USA. However, the intergrading for Thailand now has been intensified due to Indonesia is trying to export more and more Para rubber to China market which caused higher competition between the two countries. In addition to this, there are some obstacles among the China's trading partners, first; China tried to increase import tax to prevent local rubber production in the country, second; higher Para rubber consumption causes product shortage in some period of time, third; instable currency caused fluctuated material's real and estimated price, fourth; global warming caused the instable total production, finally; the information technology has a lot of limitation in terms of sharing, flowing and networking.

2. Objectives

1. To study the Para rubber industry situation between Thailand and China
2. To find out the Para rubber obstacles from production to trading between Thailand and China
3. To propose the solutions to promote and accelerate the Para Rubber trade between China and Thailand

3. Methodology

1. Topic selection

Para rubber is one of Thailand's major agricultural export products to the world market, while China is Thailand biggest Para rubber trading partner. Therefore; the topic of examination into Para Rubber Trade between Thailand and China: Business Development's Implications is a very important topic drawing attention from the two countries to move and enhance the trading forward in the future.

2. Research design

This research is about Para rubber trading between Thailand and China. The author analyzed data based on using the figures of Para rubber production, imported and exported Para rubber, tire production, other Para rubber finished goods between Thailand and China from year 2006 to 2013.

3. Interpretation of findings

The figures were interpreted in descriptive information in the results section. Moreover, the factors of Tax and pricing were also taken into current situation analysis, and it is found out that there are some existing problems which will be described in this article.

4. Organization of the information

In this study, the author started from problem statement, then analyze the figure of Para rubber from year 2006 to 2013, after that provided the results from the study. Followed by discussion and Managerial Implications, finally give the research limitations and suggestion for future study

5. The value of the study

To help the government and private sectors to understand the Para trading situation between Thailand and China,

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then further solve the problems to enhance and promote the Para Rubber trade between the two countries.

4. Results

Production

The present situations of Para rubber industry in China.

The production and using of Para rubber situations in China. China is the fourth biggest of Para rubber growing in the world acquired 9 million and 5 hundred thousand Rai; Hainan 6 million Rai, Yunan 2 million, 5 hundred thousand Rai, Kwangtong 8 hundred thousand Rai. In 2012 China can produce Para rubber for 660,000 tons: Hainan 50% or 250,000 tons, Yunan 26% or 200,000, Kwangtong 30,000 and the other areas 20,000 tons. However, the unsuitable of the weather results in low product quality.

China has increased the production areas in foreign countries such as Thailand, Cambodia and Vietnam. In 2006 there are 533,000 tons and increasing till 2011 around 711,000 tons.

Consumption

Table 1: Total Para rubber consumption in China market

Year	Domestic Production	Import from other countries	Total utilization
2006	53.30	188.53	276.92
2007	59.00	188.86	284.27
2008	56.00	194.79	294.68
2009	64.40	246.32	338.36
2010	66.50	258.98	364.60
2011	71.07	275.71	345.43
2012	79.50	351.00	383.00

Source: The Thai Rubber Association

The Para rubber consumption in 2006 was at 2,769,000 tons and experienced an increasing trend by 2007 the figure raised to 2,842,700 tons. In 2008, China promoted and developed the vehicle's tire industry that made China utilize higher quantity of Para rubber. According to, the reports of the vehicle industry society, in 2008 China produced the vehicles for 9,299,000 units, and then during 2011, it experienced dramatic growth to 18,420,000 units which required rubber utilization almost twice of 2006.

In terms of total utilization growth rate, from 2007 to 2010, there were positive growth rate at 3%, 4% 15% and 8% respectively, while; in 2011 the Para rubber utilization figure was at 3,454,300 tons which revealed negative growth rate at -5% compared to year 2010. However, in 2012 the number showed the positive sign of the utilization again at 11%. Moreover, when compared the total utilization to the domestic production, it can be seen that the number of the domestic production is much lower than the utilization, therefore; China needs to import Para rubber from other countries which will be discuss in the next chapter.

Trading

Table 2: Total Para rubber import to China from other countries

Year	Thailand	Indonesia	Malaysia	other countries	Total imported Para rubber	Growth rate (%)
2006	67.38	33.42	42.95	44.78	188.53	n/a
2007	75.16	31.33	45.03	37.34	188.86	0.18
2008	83.59	34.29	36.42	40.49	194.79	3.14
2009	88.67	42.05	29.12	86.48	246.32	26.45
2010	90.14	41.29	35.84	91.71	258.98	5.14
2011	108.88	43.74	36.73	86.36	275.71	6.46
2012	120.69	40.43	29.87	160.01	351.00	27.31

Source: The Thai Rubber Association

1. The situations of Para rubber import between China and other trading countries.

China consumes highest number of Para rubber in the world, so it forces the country to import more Para rubber from three major countries including Thailand, Malaysia and Indonesia which annually acquired around 70-80% of total Para rubber import: Thailand is 35.7%, Malaysia is 23.9% and Indonesia is 17.8%.

From 2006-2012 China imported the Para rubber increasingly 11.4%. In 2011, China imported the Para rubber from the Thailand, Malaysia and Indonesia 1,893,500 tons and 863,600 tons from other countries. In 2012 China Para rubber consumption growth dramatically from year 2011 leading to 27.31% imported growth-Thailand 1,206,900 tons which increased 11%, Indonesia 404,300 tons, reduced -8%, Malaysia 298,700 tons, reduced 19%, while; imported growth rate from other countries was at 85%.

2. The situations of the Para rubber commerce between Thailand and China.

Even though, China tried to increase the number of domestic Para rubber production, it still faced difficulties to do so due to unsuitable weather condition caused the low-quality production, which forced China

to import the Para rubber from other countries. Therefore, the development of Para rubber commerce between Thailand and China experienced a rising trend between 2006-2011. In 2006, China imported Para rubbers from Thailand 673,800 tons, it is 36% of total Para rubber import to China, and in 2008, China imported 835,900 tons, that is 43% and in 2012 China imported the Para rubber 1,206,900 tons, that is 39% of total Para rubber import to China. The main imported Para rubber products including the smoked Para rubber, Para rubber bars and dammar oil. The most popular imported products are Para rubber bars for producing radial tire, rubber boat, military products, condoms and rubber gloves.

China imports the Para rubber bars and the smoked Para rubber to produce the vehicles and import concentrated Para rubber fluid for producing rubber gloves, rubber tapes, rubber shoes, condoms and plastic products.

Obstacles

1 The obstacles of China's imports.

There are some effects of the Para rubber trading between Thailand and China. Although China and the Asean countries used the policy of reducing import taxes at 0% in 2010. To protect the advantages of the agriculturist who grow the Para rubber in China, have been protected in tax paying.

Since the 1st of January 2013, there were the reduction of import taxation making the cost and the price of Para rubber import reduced. The tax rate in 2013 of the concentrated Para rubber fluid was 10% or 720 yuan/ton. In 2012 the tax rate of the smoked Para rubber is 20% or 1,200 yuan/ton when compared with the year 2012 is at 1,600 yuan/ton. That figure reduces 400 yuan/ton. The tax rate of the transformed Para rubber is 20% or 1,200 yuan/ton when compared with 2012 at 2,000/ton. That reduces 800 yuan/ton.

2. The variable of the Para rubber prices.

The important causes of the variable of the Para rubber prices are the increasing trend of the exchange rate affecting the Thai exporters, therefore; it makes Thailand's Para rubber prices higher than the competitors. Moreover, China reduces the Para rubber import and purchase them from other countries.

The increase in the oil prices also created some effects. For the synthetic rubber which has been developed in many branches of business, especially in the petrochemical products, the oil price's variation has an impact on the Para rubber's prices.

3. The causes of Thailand's production is lower than normal time.

The changes of the seasons and weather effects to the quantity of producing Para rubbers. Although Thailand has suitable places and weather condition for growing Para rubbers, however; in the recent years, there has been climate changed affected form the global warming, the stormy weathers and the heavy raining impacted on the productions and the prices of Para rubbers. Even though, Thailand expanded the plantation area, the lower number of the production causes the lower of expected export quantity. While, China needs to import more Para rubbers.

4. Frequent interruptions on the information flows between Thailand and China.

The important information of the inter trading between Thailand and China was implemented by using computer technology and the modern network. The more the communication sources are developed, the more efficient trade will increase the Para rubber industry, the products designs, and the information of the production.

Moreover, Thailand and China do not have any information exchange or sharing, and there are also no standard of utilizing information. Nevertheless, there are not enough networks and lack of human resources information in commercial parts such as the prices of Para rubber.

5. Discussion and Managerial Implications

In 2013, China reduced in import custom duty, however; the prices are still higher that causes the higher expenses for producing the vehicles. The obstacles' solving of the Para rubber imports in China is giving up the import duty for the Para rubbers make the increasing quantity of the Para rubber imports.

To promote the cooperatives in the trade of Para rubbers between Thailand and China which in turn can develop the economical cooperatives. In 1975, there was officially established diplomatic relations between Thailand and China, and have been consistently signed agreement since then, until January 2010's, there is the free-trade of Asean-China foundation. Mekong River basin is the important route in the Para rubber trade between Thailand and China. Thailand should promote the investments in Mekhong River basin, increase the sea transportation, control the water levels and adjust the efficiency of using in this basin. At present, China and the countries in Asean have formed the international trade center in Nanning in Kwangsi that is near the countries that produce the Para rubbers.

Chinese government should promote the Chinese state enterprises to invest in the foreign countries. Although, China has the large area of Para rubber growing, the unsuitable areas and weather effects the quantities of the production. However, the best choice is to invest in Thailand and build the transformed Para rubber factories that can reduce the cost and the raw materials because Thailand produces Para rubber most of the world. While, Chinese government should promote the state enterprises to invest in the foreign countries to

use the higher technologies, equipment's and personnel.

Thailand and China should develop the information technologies by building website that give the information of the Para rubbers, the suggestions about the Para rubber trade at present and the information of the inter-trading exhibitions. This way will reduce the cost of the trading. Promotion in Para rubber industry's society of the two countries to get more effective efficiency between the two countries.

6. Benefits and Limitations

Countermeasures and suggestions for the further development of Para rubbers.

To fully implement the "protocol Thailand free trade area in the trade of Para rubber products in China and Thailand". Both China and Thailand should make full use of the "Early Harvest Program Accelerated tariff elimination under the agreement, using the" early harvest "of the favorable conditions and the two sides signed the relevant agreements to promote China-Thai Trade of Para rubber. Thailand should actively use the Chinese market to the current situation of Para rubber in short supply, expand its own exports to China, as far as possible to increase the market share of Thailand Para rubber in china. At the same time, Chinese should be based on the "Thailand Free Trade Area Agreement" Para rubber import tariff cut. China's lower Para rubber import tariffs will reduce the cost of rubber manufactured goods, in order to enhance the competitiveness of China's rubber products in the international market.

Thailand should promote the Para rubber industry scale, integration of domestic resources, improve the overall effectiveness of the Thailand government departments need to choose several large enterprises with the development of the future, the implementation of joint venture cooperation, such as providing low interest loans to the enterprises. In addition Thailand should build its own rubber products industry, starting from the raw materials to finished products. However, Thailand also motivate domestic consumption and export to obtain higher product consumption. And should improve the high value product to create higher income to the country. Furthermore, domestic use should be taken into consideration for further development by encouraging domestic industries such as automobile tires, rubber gloves and rubber, and other industrial investment and production, including the development of domestic engineering rubber industry.

Thailand should adjust the structure of Para rubber products, strengthen the research and development of Para rubber products, the Thailand government should focus on the development and application of new materials to promote the development and application of new materials, improve production technology, improve technology and equipment. On the one hand, Thailand should pay attention to the specifications of Para rubber varieties, improve the quality of products and promote technological upgrading. On the other hand, the relevant departments of the Thailand government should strengthen cooperation and communication with Thailand Para rubber enterprises, improve the brand awareness of Para rubber products, and strengthen the promotion of good products, while improving the professional level of rubber enterprise marketing team, thus promoting the export of Para rubber products in Thailand.

The Thailand government and the central bank need to strengthen the supervision of the Thai currency appreciation. Thailand's central bank intervention and at the pace of the appreciation of the Thai baht of slowing down as soon as possible to achieve the baht currency against the dollar the most appropriate amount. Thailand agricultural products should be maintained at 32-37 baht exchange level of \$1, the Thailand exporters have good competitiveness.

Thailand should actively develop new markets, expand overseas investment. Thailand should look for new demand for Para rubber market, such as the United States, the European Union, South Korea, etc. And expand the rubber industry to overseas investment, either through direct or indirect investment, the formation of local Para rubber sales network, and make full use of overseas capacity of rubber enterprises, especially the tire enterprises. However, to avoid excessive concentration of exports Para rubber to China market, Thailand should also focus on other markets to protect the safety of the country's economic operation.

Thailand should implement Para rubber products export inspection and quarantine system, strengthen export management. Thailand must vigorously promote the standardization of Para rubber, and actively participate in international organizations, the national standards to the international to create a conducive to the export of Thailand. At the same time Thailand between the relevant departments must establish cooperation consultation mechanism, as soon as possible to establish and improve the import and export of Para rubber product inspection and quarantine system, guarantee both import and export trade of Para rubber is carried out smoothly.

Thailand and China should strengthen the investment, to achieve a win-win situation. Thailand should be encouraged to have the conditions of China's rubber enterprises choose to invest in Thailand, in particular, the Chinese tire enterprises to set up a rubber processing plant in Thailand. In addition, Thailand's rubber exporters to China should set up a trading company and other cooperative ways to form an interactive mechanism. China's construction of rubber factory in Thailand will effectively reduce the cost of raw materials. At the same time, Thailand can learn from China's tire industry advanced scientific and technological achievements and experience

in the management of advanced Para rubber products.

Between the two countries should strengthen economic cooperation in Lancang - Lancang Mekong River sub region, and strengthen the management of water resources allocation. Thailand should expand the port on the Mekong River, build a good infrastructure, build a modern port system, strengthen the maritime transport capacity, and provide a one-stop service including customs warehouse, quarantine unit and entry service, which will accelerate the speed of product circulation and improve the efficiency of product circulation and reduce the cost of logistics cost. In addition, Thailand should play its own competitive advantages to promote the Thailand business center and the Yunnan regional business center in the Para rubber products leading to mutual exchanges and trade cooperation. Currently in Yunnan, Hainan and Guangdong, Para rubber value areas are active in the expansion of construction of large Para rubber processing factory. Thailand should seize this opportunity by cooperating with and Yunnan, Hainan and Guangdong rubber manufacturing industry and other rubber manufacturing enterprises to promote Yunnan channel advantage and expand the Para rubber products in China sales.

7. Future Studies and Conclusion

At present, China is the world's first Para rubber consumption and importing countries. In recent years, with the rapid development of China's economy, especially in the automotive industry and other related rubber industry, the consumption of Para rubber will increase. Because China has a relatively low labor costs, many of the world's leading rubber industry companies continue to enter the Chinese market. In addition, China as the world manufacturing center, the status of continuous strengthening, automotive, aviation, rubber gloves, shoes and other industrial development are to consume a large number of Para rubber, rubber industry will continue to show strong trend results in growing demand for Para rubber. In recent years, the supply of Para rubber resources is very limited, the gap will become increasingly large. Most of China's Para rubber depends on imports from Thailand, expanding the market demand for the Thailand Para rubber exports to maintain a high growth rate provided favorable conditions.

Thailand Para rubber in the Chinese market, Para rubber, rubber smoked sheet and concentrated latex and other primary forms has great export advantage, export competitiveness is very strong. Thailand standard glue show in a relatively inferior position, export competitiveness is relatively weak, and this kind of product's comparative advantage in gradually increased. At present, Thailand Para rubber in the Chinese market still can maintain a strong competitive position, and can remain stable. Thailand Para rubber has the advantages will be conducive to its continued to maintain a more leading position in China's Para rubber market.

The general requirements of Para rubber users in China are high quality, low energy consumption, consistent performance and price. Therefore, Thailand should expand the scale of Para rubber production, improve the quality control system to ensure product quality consistent and stable. On the other hand, according to the Chinese market demand gradually reduce the production of tobacco film, but vigorously develop the market demand for large standard rubber, rubber latex, and special rubber production to serve the need of china market. Moreover, Thailand should actively develop new products, continuously improve the scientific and technological innovation ability of processing enterprises to improve the economic benefit of Para rubber production.

Moreover, Thailand is China's largest supply of Para rubber, but other countries have begun to increase the amount of China's Para rubber, Indonesia is also trying to increase competition. Indonesia's share of China's Para rubber exports is also rapidly increasing, is the world's Para rubber exports to grow faster. If Indonesia improved rubber tree varieties, adjust management issues, provide better quality Para rubber products, and adjust the export strategy, China will finally carry out various forms of cooperation. Therefore, China is likely to shift a large number of imports from Thailand to Indonesia. However, Thailand now is still hold the largest portion of market share in China's Para rubber market. In the future, Indonesia will probably take the place of Thailand as China's largest Para rubber importer, or Thailand will still be able to maintain a leading position in China's exports. If Thailand Para rubber production wants to remain stable, the manufacturer needs to improve product quality and productivity, improve the adjustment process, and improve the product and quality in order to meet the needs of the Chinese market. In addition China and Thailand Para rubber trader should as far as possible to set up a joint venture of Para rubber and strengthen the bilateral trade of Para rubber and promote more effective cooperation bilateral trade of Para rubber products, guarantee both the product import and export trade smoothly. So there is reason to believe that Thailand can maintain the first big advantage of China's Para rubber exports. Anyway, from a development perspective, China and Thailand Para rubber trade as a very good communication and cooperation channels, will enable the two sides starting from their own characteristics, Strive to improve, improve their own advantages, and ultimately achieve mutual benefit and win-win.

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