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## ABSTRACT

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Due to the serious problems of unemployment and trade deficit Thailand is facing, how the gemstones and jewelry industry can become a major source of foreign exchange is worth studying. This study contains not only the general characteristics of the gemstones & jewelry production industry in Thailand but also some details about Thailand's main competitor, India. By using the secondary data of the 10 gemstones & jewelry products that are classified according to the Standard International Trade Classification (SITC) under a three-digit, four-digit and five-digit codes commodity provided by the United Nations Economic and Social Council during the 12 year period starting from 1985 to 1996. The study aims at finding Thai gemstones and jewelry export status with the particular objectives as follows: (1) To derive indicators of performance in trade of manufactures in some detail by use of the international trade statistical data. (2) To study about the comparative advantage of Thai gemstones & jewelry industry.

The conceptual and analytical framework of this study is based on the theory of comparative advantage and The Revealed Comparative Advantage Index (RCA). The assumption of Balassa Bela is employed to indicate Thailand's advantages in this study. The RCA finding is actually divided into : (a) finding of the average RCA result for the 12 years period, commodity by commodity; and the average RCA result for the 12 years period, two product groups – gemstones group and jewelry group.

(b) finding of the average RCA result for the two six-years periods (1985 – 1990 and 1991 – 1996), commodity by commodity; and the average RCA result for the two six-years periods (1985 – 1990 and 1991 – 1996), two product groups – gemstones group and jewelry group.

Thailand has exported to the countries with a growing demand for gems; namely, U.S.A., Japan, Belgium, Israel, and Hong Kong. The finding of changing pattern between the two periods (1985 – 1990 and 1991 – 1996) shows that Thailand fails to experience an increase in average RCA in both gemstone & jewelry sector. Unlike Thailand, even India fails

to experience an increase ratio in gemstone sector, India is able to make an increase in jewelry sector. From the study, it is found that the RCA results of Singapore and France contrast with the RCA results of Switzerland, Thailand, India and Israel. Singapore and France are countries having no RCA in exporting any kind of the 10 studied commodities. Reversibly, Switzerland, Thailand, India and Israel are the countries that have comparative advantage in exporting almost every kind of the 10 studied commodities. The RCA result also shows that Israel has highest comparative advantage in exporting gemstones product with the RCA result of 32.04. At the same time, India has RCA result of 18.94 and Thailand has RCA result of 8.80 in exporting gemstones product. Therefore, we can say that Thailand has less comparative advantage in exporting gemstones product than India. However, the success of India gemstone trade was mostly driven by diamond alone. If diamond is separately grouped away from gemstones sector, this success might not happen to India. For the jewelry sector, Korea has highest RCA result at 8.15 follows by Israel at 7.24. Under this sector, Thailand has better ratio than India. Whereas India relies heavily on diamond exports, Thailand relies on precious stones and jewelry exports. The RCA result of Thai and Indian jewelry trade is at 5.67 and 2.92 respectively. From this we can say that Thailand has been becoming less competitive in this trade and should emphasize on jewelry export manufacturing other than emphasize on gemstone export related to the fact that the domestic sources of rough gemstones are becoming depleted.

In addition, this study found that other major factors determining export potentials of Thailand's gemstones and jewelry industry were craftsmanship, design, courteousness and pleasantness of Thai traders as well as product security. All these factors have played an important role in promoting the export potential and capability of this industry as well.