



# Export Potential of Thai Tapioca Products in China<sup>3</sup>

Akarapong Untong<sup>4</sup>

## 1. Introduction

Attempts to liberalize trade in the Republic of China in the past two decades have led to considerable industrial expansion of the country. They have also led to several changes including higher imports of goods and raw materials from abroad to satisfy increasing domestic demands. Tapioca products are in great demand from the Republic of China as they are used as raw materials in various industries such as animal feeds, textiles, paper, and food. Therefore, the Republic of China provides potential markets for Thailand, especially considering the present situation of falling demand for tapioca from the EU. Furthermore, China is about to reduce its tariff rates on imports of tapioca products from 8 - 30% in 2002 to 5 - 20% in 2004. With these factors combined we can believe that China, replacing the EU market, will become the largest market for tapioca products in the world.

## 2. China's imports of tapioca

China's imports of tapioca products average about one million ton per year, or 130 million U.S. dollars in value per year. More than 95% of its total tapioca imports are in the forms of chips and tapioca starch; most are used as raw materials for the production of sweeteners and monosodium glutamate. It is expected that in 2013 China's

demand for tapioca starch alone will rise to 1 million tons.

For the imports of tapioca chips, most are imported to be used in alcohol and animal feed industries. The alcohol producing industry in China, especially in the past 3 - 4 years, has had higher demand for tapioca chips. This is because the Chinese government has tried to reduce the number of alcohol plants using molasses and has turned to promote the use of tapioca and corn instead. The fact that tapioca chips are cheaper than corn led China to import more of the former. This plus the expectation that in 2008 China will support the use of gasohol which has a constitute of ethanol from tapioca as fuel for cars, has meant increasing trend of tapioca imports from China. Furthermore, the launching of promotion campaign and information giving on the use of tapioca pellets in animal feed industry to Chinese producers could help to increase further the imports of tapioca pellets from China (one of market opportunities for tapioca pellets).

About than 40 - 50% of China's imports of tapioca products are from Thailand. In the past, Thailand has become market leader for nearly all products, even though China also increasingly imports some tapioca starch from Vietnam (most produced by plants owned by Thai entrepreneurs). However, Thailand can still be considered as the largest exporters of tapioca products to China.

### PRODUCT

### MAJOR IMPORT ORIGIN

1. Tapioca pellets and chips	Thailand (over 60 %)	Vietnam (11 %)
2. Tapioca starch	Thailand (40 - 50 %)	Vietnam (20 - 30 %)
3. Dextrin and Modified starch	Thailand (45 - 50 %)	Netherlands (14 %)

### 3. Revealed Comparative advantage of Thai tapioca products in China

The Revealed Comparative Advantage (RCA) index is used to analyze comparative advantage of

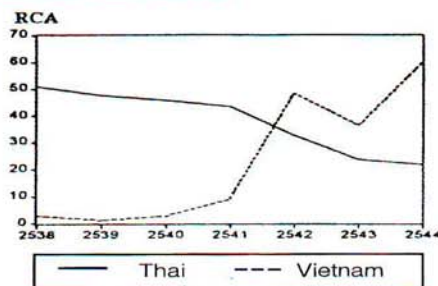
Thailand and its rivals in the Chinese market. If  $RCA > 1$ , it means that the country has an advantage in exporting tapioca products. The results of analysis are shown in Table 1.

Table 1 Comparative advantage of export tapioca products of Thailand and its competitors in China market

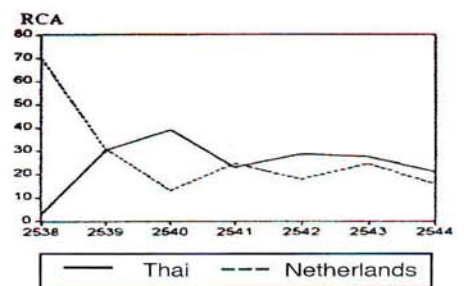
Tapioca product	Country	1995	1996	1997	1998	1999	2000	2001
Tapioca pellets and chips	Thailand	32.74	0.08	32.79	35.14	26.36	11.34	34.77
	Vietnam	48.08	46.98	84.96	55.77	54.90	35.25	17.14
Tapioca starch	Thailand	50.75	47.51	45.71	43.36	32.62	23.63	21.70
	Vietnam	2.71	1.02	2.56	8.81	48.21	36.09	60.07
Dextrin and Modified starch	Thailand	3.01	30.12	38.80	22.74	28.38	27.39	20.88
	Netherlands	69.93	30.67	12.81	24.43	17.60	24.26	15.57



Tapioca pellets and chips



Tapioca starch



Dextrin and Modified starch

Source : Calculated from data in World Trade Atlas, 2003. และ International Monetary Fund (IMF), 2002.

#### (1) Tapioca pellets and chips

Even though Thailand is a major exporter to China market but it still has less comparative advantage when compared to Vietnam. Vietnam has been in a better position because its is more labor intensive production and therefore the products are less contaminated. However, since 1998, the comparative advantage of Vietnam has been found to have a tendency to decline and lower than Thailand at 2001.

#### (2) Tapioca starch

Since 1999 Vietnam has comparative advantage over Thailand in the markets for tapioca starch and the tendency of its competitive advantage is found to be increasingly higher.

#### (3) Dextrin and other modified starch products

China imports the above category products mainly from Thailand, with the Netherlands as Thailand's important competitor. However, since 1999, Thailand has gained its comparative advantage over the Netherlands.

In summary, Thailand has competitive advantage over its competitors for all tapioca products except tapioca starch for which Thailand has lost its competitiveness to Vietnam since 1999. However, China's imports of tapioca products are concentrated to be from only a few countries. More than 50% of its tapioca imports are from Thailand.

#### 4. Export potential for Thai tapioca in China

The results of the above analysis are achieved when looking only at yearly competitive advantage and thus lack the perspective of long term trend of comparative advantage. For the next part of this article, the focus will be on export potential of Thai tapioca in China by assessing Thai export status during the period of 1995 – 2001.

##### (1) Tapioca pellets and chips

Thai exports of tapioca pellets and chips to China are considered to be *“rising star”* or very promising which means that Thailand still has a tendency to enjoy increasing advantage. At the same time, China has increased its imports of tapioca pellets and chips. (Interviews with producers reveal that China has imported tapioca chips increasingly and continuously during the past 5 years). Imports of tapioca pellets and chips from Thailand have increased at a rate faster than China’s absorption rate of the imports. Interviews with producers show that China imports from Thailand more tapioca chips than pellets. Vietnam, which is Thailand’s major competitor, has fallen behind. This means that while China’s imports of tapioca pellets and chips have increased, the export rate (exports of tapioca pellets and chips divided by total exports) of Vietnam has been below that of China’s imports. This also means less export advantage for Vietnam as the country has begun to export more of other manufactured commodities.

##### (2) Tapioca starch

Thailand’s exports of tapioca starch to China may be considered as lagging behind and opportunities have been lost. This means that while China’s imports of tapioca

starch have increased, Thailand’s rate of exports of the products is lower than China’s import rate. This implies that Thailand’s competitiveness has fallen while Vietnam has turned to be *“rising star”* instead. This also means that Vietnam has a tendency to have competitive advantage which is also increasing. China’s import of tapioca starch from Vietnam has increased at a rate faster than its absorption rate.

##### (3) Dextrin and other modified starch products

Dextrin and modified starch are products which may be considered as *“rising stars”* or very promising exports. This means that Thailand has a tendency to have higher revealed competitive advantage, while China’s imports of these products have also increased. China’s imports of these products from Thailand have increased at a rate faster than its absorption rate of these products. The Netherlands has lost its opportunities to the Chinese markets. While China imports of dextrin and modified starch have increased, the export rate of the Netherlands is lower than China’s import rate of these products. This has resulted in less competitive advantage for the Netherlands.

#### 5. Summary

From the above analysis, it can be concluded that export potential of Thai tapioca pellets and chips, dextrin and modified starch is greater than those of its competitors, and greater than its other tapioca products. For Thailand’s exports of tapioca starch to China, it has turned out that Thailand has not been able to capture new opportunities for this product. However, there is still a possibility that the country may take back its lost opportunity if appropriate market strategy can be devised.

Table 2 Export status of Thai tapioca products to China during 1995 – 2001

Tapioca product	Country	Export Status
Tapioca pellets and chips	Thailand	very promising
	Vietnam	lost opportunity
Tapioca starch	Thailand	lost opportunity
	Vietnam	very promising
Dextrin and Modified starch	Thailand	very promising
	Netherlands	lost opportunity

Source: Calculated from data in World Trade Atlas, 2003 and the International Monetary Fund, 2002.