

Abstract

The research aims to compare regulations on large-scale retail stores between Japan and Thailand, and the political processes which led to policy changes. I also discuss the impact of those policies on domestic retailers and on the entry of foreign retailers

The hypothesis of the research is that the differences between the policy used by Japan and Thailand led to the distinct developments of the retail sectors in the two countries and also affected the establishment of foreign retailers in terms of timing and their strategies used for domestic market penetrations.

The research found the restrictions of new store opening in both countries reveal strong influences of small retailers and existing retailers. Consequently, the real purposes of policies are aimed at protecting small retailers from excessive competition with large stores. However, nowadays the regulations on large stores in both countries focus on the impact large stores has directly on the environment and city planning, for fear that controlling the large stores directly to protect small retailers may violate the WTO rules and also may invite foreign criticism.

From the research, it is found that the old regulations in Japan (Large Scale Retail Store Law: LSL, 1974) required large stores to go through a time-consuming and painstaking "adjustment" process with local retailers, which often resulted in business hours and floor space reduction. The process was criticized by foreign retailers as the major obstacle to foreign businesses. Hence, with foreign pressures and domestic support, the law had been deregulated in the early 1990's and eventually was replaced by Large Scale Retail Store Location Law (LSLL, 2000) which focused on environmental issues. On the other hand, Thailand in the past had no limitation on the number of large store, contributing to massive expansion of foreign superstores. Such phenomenon caused the protests led by wholly Thai - owned stores, ranging from small family stores to medium-sized retailers. They convinced the government to regulate the expansion of superstores. The government responded in 2003 by modifying the existing City Planning

Law and The Building Control Law to limit the growth of superstores in 2003. At present, both Japan and Thailand has controlled large stores under the banners of environment and city planning.

However, there are many differences on concepts and enforcements in the two countries. While new Thai regulations aim at restricting superstores from city centers to protect local retailers, large stores respond by introducing smaller stores in cities, which threatening small store even more. Moreover, local Thai stores also found the new regulations as an obstacle for expanding their outlets. As a result, those who advantage from the new law are only the incumbents (which includes almost 140 foreign - owned superstores all over the country). The losers, undoubtedly, are the consumers who end up paying more by the semi-monopoly of existing stores and also find it less convenient to do shopping. On the other hand, Japanese regulations focus on "co-existence" between large stores and residences nearby. Generally, large stores are allowed to build in city centers, but may have to reduce the impact on environment voluntarily. Such implementations favor the community which includes consumers and small retailers nearby the stores.

The current regulations in Thailand should be replaced by the one based on the co-existence with the community, focusing on social costs and balancing the benefits with the community. This measure should be more advantageous than the present regulations, which seems to only obstruct the expansion of large stores, while fail to benefit any one, except the incumbents.