

CHAPTER 1
THAI - JAPANESE ECONOMIC RELATIONS AFTER THE ECONOMIC
CRISIS 1997: THE CASE STUDY OF JTEPA.

A. Background and Issues

Thailand – Japan Post War relations

Thailand and Japan relations have involved various aspects including politics, economy and culture. During the postwar period, the political relations between the two countries were not much mentioned since there were no serious conflicts. Moreover, during the Cold War, both countries had joined the free world under the leadership of the United States, and supported each other politically.

On the economic aspects, Thailand has imported a large amount of Japanese goods. Since Thailand had limited capital resources for national development, it had to import capital goods, particularly machinery, transportation equipment, chemicals, and other industrial materials from Japan. Differences in levels of development, types of product, and price had generated a large trade deficit between Thailand and Japan in favor of the latter, during the 1960's.¹

The said trade deficit led to the anti Japanese movement in the 1970's due to the fact that Thais were afraid of the Japanese domination of their economy. The anti Japanese sentiment did occur not only in Thailand but also in other Southeast Asian countries, including Indonesia and the Philippines. Therefore, the Fukuda Doctrine was announced to improve the economic relations between Japan and ASEAN countries including Thailand. However, this doctrine seemed to slightly ease the strained situation,

¹ Likhit Dhiravagin, *Thai-Japanese Postwar Relations* (Bangkok: Thammasat Press, 1983), p.9.

the trade deficit between Thailand and Japan was still about US\$ 2 billion or 15 percent of the total trade in 1979.² Later on, Thailand demanded for an equal treatment on trade by asking Japan to firstly open its market to the Thai products; secondly, to set up the export-oriented industries in Thailand; and thirdly, to enhance the economic cooperation through more active transfers of technology.³ In the White Paper on the restructuring of the Thai-Japanese economic relations, issued in June 1985, the Thai Government requested a revision of the engineering-service conditions on the projects funded by the Japanese government, the Overseas Economic Cooperation Fund (OECF) and Yen loan, in order that the Thai contractors could have more opportunities in bidding.⁴ However, the result of the negotiation was fruitless for Thailand as the Japanese government did not promise to do anything seriously.

Thailand started to industrialize its economy since 1950s. Due to the shortage of technology and capital, the Thai government needed foreign direct investment for its development projects. The Investment Promotion Act 1962 was promulgated for FDI attraction. Due to the rapid rise in the wage level in Japan, labor intensive Japanese firm actively undertook FDI in Thailand and other Asian countries.⁵ As a result, Japan has been one of the most important direct investors in Thailand, especially in the manufacturing sector. Important Japanese industries were textiles, transport equipment, chemical products, electrical appliances and automobiles. Most of the Japanese registered capital was in the form of joint ventures; only 17% of them was in the form of wholly-owned Japanese companies.⁶

² Narongchai Akrasanee, *ASEAN-JAPAN Relations Trade and Development* (Singapore: Institute of Southeast Asian Studies, 1983), p.143.

³ Ministry of Foreign Affairs website, <http://countrystudies.us/thailand/83/htm>.

⁴ Prasert Jittiwattanapong, "Japan's International Conflict and Decision-Making : Perspectives from Thailand," in *Japan : Politics and Foreign Policy*, ed. Siriporn Wajjwalku (Bangkok: Thammasat University Press, 1999), p.384.

⁵ Wilaiwan Wannitikul, *Comparative Study of Foreign Direct Investment in Japan and Thailand* (Thailand: Economic Research and Training Center Faculty of Economics, 1996), pp.7-12.

⁶ Medhi Krongkaew, *Current Development in Thai-Japanese Economic Relations: Trade and Investment* (Bangkok: Thammasat University Press, 1979), p.15.

However, the relationship among staff in the Thai – Japanese joint ventures did not go smoothly. A number of Thai partners in the joint ventures complained about the reluctance of Japanese staff in transferring technological know-how to the Thai staff. In some companies, the high level technology was known only among Japanese technicians and engineers. The transfer of management authority was another problem found in Thai-Japanese joint venture firms. The Japanese head-quarter sent a lot of Japanese staff to hold the managerial positions in affiliates, which actually prevented Thai staff from accessing the management know-how. As a result, several local partners had not been able to set up their own business even after many years of joint investment with Japanese firms.⁷

For ODA, Thailand has regarded Japan as one of the most important donors. It had received a big amount of Japanese ODA for its national development projects through various types including grant, loan, and technical cooperation.

From 1961 to 1986, according to the five national economic and social development plans, Thailand's development strategy had focused on industrialization programs. Therefore, the government had to set up sufficient infrastructure to support these programs. However, due to the budget constraint, it was necessary that Thai government borrowed money from foreign sources. The total overseas loan of Thai government during 1961-1986 amounted to 15,529.7 million dollars, of which 2,851.8 million dollars or 18.4% came from Japan.⁸ Apart from bilateral loans, Thailand had also received technical assistance and grant aid from Japan. Japan's yen loans were concentrated on infrastructure which was the foundation of industrialization while the grants went to agricultural, educational, scientific, technological, health, and community development.⁹

⁷ Tran Van Tho, ed. "Japan's Direct Investment and Technology Transfer in Thailand : Pattern and Issues," in *Japan's Direct Investment in Thailand : Patterns and Issues*, (Tokyo: Japan Center of Economic Research, 1991), p.87.

⁸ Pranee Tinakorn and Patchree Siroros, "Japan's ODA and Thai Development," a paper presented at the International Conference on Japan's ODA and Asian Developing Economies at Thammasat University, March 21 – 22, 1991.

⁹ *Ibid.*, p.14.

In sum, it seems that Thailand was heavily dependent on Japan during the post war period. It was obviously seen that although Thailand had faced the trade deficit problem with Japan, it still imported Japanese capital and industrial products due to the necessity for industrial development. At the same time, Japanese partners did not fulfill the Thai expectation of technological transfer so Thai staff must rely on Japanese technicians in operating high technology. Besides, Thailand at that time still depended on both grants and loans of Japanese ODA for its national development projects.

Thailand – Japan Post-Cold War Relations

In the first half of 1990s, trade between Thailand and Japan continued to increase. With the high rate of economic growth of Thailand, Japan was the largest supplier of Thai imports and one of the top destinations of Thai exports. Thailand imported capital and industrial goods from Japan. These types of goods were used for expanding industrial capacity and supplying several export industries whereas Japan imported agricultural and consumer goods from Thailand. Changes have taken place since the beginning of 1996 due to the economic recession. Thailand's imports from Japan had been decreasing.¹⁰ The trade imbalance between the two countries was becoming smaller. However, trade between two countries was increasing again during the recovery of the Thai economy. Regardless of the changing trade relations, trade deficit was still the major problem in the relations of the two countries.

Taking the investment sector into consideration, Thailand was a favorite destination of foreign direct investment due to its lower labor costs, reasonable infrastructure and stable society, and when Japan faced another period of yen appreciation that caused the raised production costs. Japanese investors began strengthening or expanding their production bases in Thailand through the production of supporting industries, including basic industries such as steel and petrochemicals.

¹⁰ National Statistical Office, *Statistical Yearbook Thailand No.39:1992, No.41:1994, No.43:1996, No.45:1998.*

Thailand laid the foundations for its strong investment partnership with Japan. This further strengthened economic ties between Thailand and Japan.¹¹ However, Japanese investment declined during 1997 due to the unfavorable environment for foreign investment in Asia in 1997.

The technology transfer continued to be the problem of Thai – Japanese joint ventures firms. On the Thai side, the shortage of technical manpower, especially engineers and technicians, and the lacking of ability to adopt and utilize technical know-how and production technology were the obstacles of Japanese technology transfer.¹² On the Japanese side, the Japanese style of management, characterized by intra-firm training and promotion, the seniority system, and lifetime employment usually results in a slow transfer of managerial posts from Japanese to local staff.¹³

With regard to Japanese ODA, although the Thai economy smoothly and rapidly grew in the first half of 1990s, Thailand still received technical assistance from Japan of which the total value amounted to 147.46 billion US dollars. In the second half of the 1990s, Thailand faced an economic crisis in 1997. Then, in the midst of the crisis, Japan's role as a donor was very prominent since it had provided more than 12.6 billion US dollars for both the financial and technical support apart from the 4 billion US dollars in August 1997 under the IMF's support package.¹⁴

Thailand had also received a large amount of financial and technical assistance from Japan to increase productivity and competitiveness in Thailand after the crisis. Another Japanese ODA was the New Miyazawa Initiatives which amounted to 1.9 billion dollars for pulling Thailand out of the economic recession.¹⁵

¹¹Japan External Trade Organization, Bangkok, "Outlook for Thailand and Japan Economic Cooperation in the Next Millennium," <http://www.jetro.go.jp/thailand/e/event/newslet/specissu/boi.htm>.

¹²Prayoon Shiowattana, "Japanese Technology Transfer in Thailand," in *Japan In Thailand*, ed. Kunio Yoshihara (Kyoto: Center for Southeast Asian Studies, 1990), p.128.

¹³Tran Van Tho, *Japan's Direct Investment in Thailand Patterns and Issues* (Tokyo: Japan Center for Economic Research, 1991), p.6.

¹⁴Ministry of Foreign Affairs of Japan, "Japan–Thailand Relations," <http://www.mofa.go.jp/region/asia-paci/thailand/>.

¹⁵Embassy of Japan in Thailand, <http://embjp-th.org/en/jtrela/jtre12.htm>.

Since the post-Cold War, the relations between Thailand and Japan have developed in a positive direction. The two countries have been good partners in the good and crucial moments; nevertheless, Thailand has continued facing the trade deficit with Japan and has still depended on Japan both in terms of investment and ODA. They have been important suppliers of each other. The foreign direct investment is necessary for Thailand's economic and social developments. Japanese investments have fulfilled some parts of the Thai national development plans. Japan was also a principal donor when Thailand was in the economic crisis. However, the Thai government has made an attempt to develop the relations from this heavily dependence on Japan to be more interdependence.

Thailand and JTEPA

There were three governments, one Chuan Leekpai's government and two Thaksin Shinawatra's governments, they governed the country after the economic crisis in 1997. Each government had its own economic policy.

The first one was the economic policy under Chuan Leekpai's government. This policy focused on promoting economic relations and cooperation with important trading partners under a free trade system and fair competition. It also tried to reduce international conflict resulting from disputes related to trade, investment, technology transfer and protection of intellectual property rights.¹⁶

The second one was the first term of Thaksin Shinawatra's government. The economic policy concentrated on restoring and strengthening Thailand's relations and developmental cooperation with its neighbors and other Asian countries by initiating relations and developmental cooperation in all fields both bilaterally and multilaterally. It

¹⁶ Ministry of Foreign Affairs, "Policy statement of The council of Ministers of Prime Minister Chuan Leekpai," http://www.cabinet.thaigov.go.th/eng/gov_pol.htm#3.%20นโยบายการต่างประเทศ.

also tried to solve problems by fostering good understanding and sharing mutual benefits.¹⁷

The third one was the second term of Thaksin Shinawatra's government. The government conducted a proactive foreign policy based on the principle of equal treatment, and aimed to promote and expand friendship and cooperation with foreign countries, in political, security, economic, social and cultural aspects. The government also continued to negotiate free trade agreements with various countries to increase the competitiveness of Thai entrepreneurs and to pursue proactive marketing policies in both existing and new markets, so that Thai goods and services were widely known and recognized by foreign consumers.¹⁸

It is obviously seen that three policies were concentrated on economic cooperation, enhanced mutual interest and reduced conflict among countries. Thailand had concluded FTA with many countries including Australia, China, Bahrain. Thailand is also developing FTA with the important trading countries; such as the U.S.A. and Japan. Being one of Thailand's major trading partners. Japan's attempt to promote EPA with Thailand will be beneficial to Thailand.

Thailand and Japan were negotiating the Japan - Thailand Economic Partnership Agreement. This agreement did not focus only on trade but also other aspects, including investment, labor, intellectual property rights and so on. It is expected that JTEPA would further broaden and deepen Thai - Japanese relations and mutually beneficial cooperation by forging closer economic relations, enhancing a more favorable investment climate, and generating greater business opportunities through cooperation, liberalization and facilitation in trade and investment between the two countries. It is also believed that JTEPA will mark a new era for Japan-Thailand strategic partnership.¹⁹

¹⁷Royal Thai Embassy, Washington D.C., "Foreign Policy," <http://www.thaiembdc.org/politics/foreign/fpolicy.htm>.

¹⁸Ministry of Foreign Affairs, "Policy statement of the Government of H.E.Thaksin Shinawatra," <http://www.mfa.go.th/web/32.php>.

¹⁹JTEP Office, Ministry of Foreign Affairs, "Joint Press Statement Japan-Thailand Economic Partnership Agreement," in *Japan-Thailand Economic Partnership Agreement* (Bangkok: JTEP Office, 2006), p.7.

In order to achieve economic development and industrialization, Thailand badly needs foreign investment and technology transfer to shore up its flagging economy.²⁰ Japan is not only an important trading partner but also a major investor and source of technology for Thailand. Thailand realizes the comparative disadvantages if it does not develop FTA with Japan. From Thai government's point of view, concluding the free trade agreement with Japan may be one instrument to achieve the economic development due to increasing trade value and foreign investment to Thailand. At the same time, it could also contribute to strengthen Thailand – Japan relations and enhance the cooperation between the two. Since JTEPA will provide more opportunities for Thai goods and services to access into the Japanese market and technology transfer from Japan, these will support Thai industrialization and enhance Thai competence.²¹

From Japan's point of view, Japan had realized about its disadvantaged competition in this region as the market share would be smaller after China concluded their free trade agreement with ASEAN countries. Therefore, Japan was looking to enhance economic cooperation with its Asian neighbors by proposing the Japan – ASEAN Economic Partnership to ASEAN members individually and multilaterally. Japan also concluded the Japan – Singapore Economic Partnership Agreement in 2002. Thailand was the second country in Southeast Asia with which Japan expected to conclude the agreement after Singapore. It is believed that JTEPA will provide good conditions for Japanese investment in Thailand and provide greater access in Japanese industrial goods, in particular automotive and steel industry, to Thai markets.

While Thai government believes that JTEPA will be beneficial to Thailand - Japan relations, particularly in the economic aspect, due to decreasing obstacles on trade and enhancing cooperation between the two countries, the researcher does not believe that this agreement will be beneficial to Thailand as it is expected, due to the reason that

²⁰ JTEP Office, Ministry of Foreign Affairs, "FTA with Japan holds promise," http://www.mfa.go.th/jtepa/en/archives/article_158.html.

²¹ JTEP Office, Ministry of Foreign Affairs, "Thailand's FTA with Japan: Can we get something out of it?," <http://www.mfa.go.th/jtepa/en/archives/article018.html>.

Thailand is a less developed country with weak economic status. This research will study whether JTEPA would make Thailand and Japan to be more interdependent or vice versa.

B. Objective

1. To study and analyze the advantage and disadvantage of JTEPA to Thailand.
2. To analyze whether the cooperation of both countries under the JTEPA framework will create mutual interests and lead to the more interdependent relations.

C. Hypothesis

Upon the signing of the JTEPA, it seems that Thailand will be heavily dependent on Japan, which contradicts the Thai government's expectation on JTEPA to be an effective instrument to improve the unfair practices and relations between the two countries.

D. Research Questions

1. What are the nature of Thai and Japanese economic relations?
2. What does the Thai government expect from JTEPA?
3. How does JTEPA contribute to the change of Thai - Japanese relations?

E. Conceptual Framework

Realism and Interdependence theories will be applied to answer the research questions, and also to explain the Thai and Japanese economic relations.

Realism

Realism is an approach of the study and practice of international politics. The normative core of realism is national security and state survival. Hans J. Morgenthau who was the leading realist thinker of the twentieth century, was stated that “Politics is a struggle for power over men. Power is its immediate goal and the modes of acquiring, maintaining, and demonstrating it determines the technique of political action.”²²

The main point of foreign policy is to project and defend the interest of the state in world politics. This objective include high political concerns of assuring state survival, security matters, as well as the low political objectives in such fields such as the pursuit of wealth and economic growth and power. In making foreign policy, governmental decision makers evaluate each alternative, selecting the one that maximizes benefit or minimizes cost associated with attaining the objective sought.²³

Nowadays Thailand is negotiating FTA with many countries. These FTAs will be beneficial for Thailand in terms of greater market access in goods and services due to the reduction in trade barriers, increased investment opportunities in overseas markets and reduction of business costs arising from the dismantling of tariffs and non-tariff barriers. JTEPA is a part of Thai foreign policy towards Japan, in particular the economy. The national interest is the important factor in making foreign policy. Thailand has performed to maximize its national interest in any circumstance it faced. However, in negotiation of JTEPA which was the economic cooperation that created mutual interest,

²² Robert Jackson and Georg Sorensen, eds. “Realism,” in *Introduction to International Relations Theories and approaches* (New York: Oxford University Press Inc., 2003), p.77.

²³ Raul R. Viotti and Mark V. Kauppi, *International Relations Theory : Realism, Pluralism, Globalism* (USA: Macmillan Publishing Company, 1993), p.6.

the Thai government selected the best alternative that maximized its national interest without interfering Japanese interests. Although this agreement created mutual interest by enhancing cooperation and reducing the obstacles on trade for both countries, it is doubtful whether both countries are so rational in practice.

Interdependence

Nowadays the world has become interdependent in economics, in communications and in human aspirations.²⁴ Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries.²⁵ There are two different perspectives that can be adopted for analyzing the costs and benefits of an interdependent relationship. The first focuses on the joint gains and joint losses to the parties involved. The second is relative gains and distributional issue. It is important to remember that interdependence by no means implies equality. Such asymmetrical relations are quite common in contemporary world politics, particularly between developed and less developed countries. Interdependence may be highly asymmetrical; one actor may depend on another too a much greater extent than it applies to the other. Less dependent actors can often use the interdependent relationship as a source of power in bargaining over an issue and perhaps to affect other issues.²⁶

Due to the geographical proximity of Thailand and Japan, it would be beneficial to develop a economic partnership between the two. It will bring economic gain and prosperity to both countries. Thailand is expected that JTEPA will strengthen and improve unfair relations between Thailand and Japan. Although Thailand needs equal treatment, it realizes that symmetry interdependence is hardly possible. When asymmetry is common in economic interdependence, the question of how much is permissible in a

²⁴ Robert O. Keohane and Joseph S. Nye, eds. "Interdependence in world politics," in *Power and Interdependence* (New York: Longman, 2001), p3.

²⁵ *Ibid.*, p7.

²⁶ *Ibid.*

relationship, it should properly be interdependence, rather than one way dependence. The politics of economic interdependence involves competition even when large net benefits can be expected from the cooperation.²⁷

F. Scope

This research mainly focuses on Thailand's role and its perspectives on foreign policy and relations with Japan after the economic crisis, particularly the case study of JTEPA. This research will examine the economic relations between Thailand and Japan and try to answer the question of whether JTEPA would contribute to the more dependent relationship between both sides.

G. Methodology

The method to be applied in the course of doing this research was mainly a documentary research. To conduct the research, content and statistic analysis were used. Content and statistic was collected from various sources to get the accurate information. They were used to study the changes of economic relations between both countries from JTEPA. The statistics of import, investment and ODA were used as a measure to assess the degree of dependency between Thailand and Japan. Although dependence will not be eliminated immediately after signing the agreement, it should continually decrease. This paper will study the changing of economic relations of the two countries by comparing the relations after the economic crisis with the relations after signing of the JTEPA. I interviewed Thai scholars and officials who answered the questions about the advantage and disadvantage of the agreement, in order to understand Thai attitudes toward JTEPA. . The document utilized in this research is composed of the following sources:

²⁷ Keohane and Nye.

Primary sources:

- Speeches and direct quotes of leaders of the states and concerned people provided by newspapers and websites
- Statistical data related to economic relations between Thailand and Japan such as Year Book, import and export statistic.
- In-depth interviews to be answered by Thai officials such as JTEP office staff, the official from Ministry of Commerce, Ministry of Agriculture and Cooperatives, Ministry of Industry, Ministry of Foreign Affairs

Secondary sources:

- Updated articles and news on this issue including magazines, books, newspapers and websites
- Relevant research papers and studies about Thai roles and policies toward Japan, particularly on economy.
- Collective data of issues from concerned organizations and websites such as Ministry of Commerce, Ministry of Foreign Affairs (JTEP office), Ministry of Agriculture and Cooperatives, Ministry of Industry

H. Literature Review

The literature and research that related to the Thailand and Japan economic relations issues had focused on various aspects, namely trade, investment and assistance. Those articles mentioned the gain and loss that Thailand would get from the economic relations between the two countries such as Japanese investment that supported Thai industrialization, trade deficit problems, technology transfer problems, the exploitation of resources etc. Some authors recommended a solution to the problems. After the economic

crisis, the economic relations between Thailand and Japan were deepened since Japan was the main actor to pull Thailand from the economic regression. However, the Japanese assistance in the recovery period caused the dependent problems between the two countries to be more serious. Therefore, the Thai government continued to develop the economic policy that pursued its national interest and decreased economic problems between two countries.

This research studies the Thai foreign policy towards Japan under JTEPA, with the hope that this agreement can be an instrument to improve economic relations and decrease economic problems between the two countries. Articles which relate to Thailand and Japan economic relations are reviewed as followings:

As Japan was an important trade partner since it resumed economic relations after the World War II, the Thai government paid much attention to develop Thai foreign policy toward Japan, especially economic aspect. Prapat Thepchatree wrote “**Thai – Japanese Economic Relations**”²⁸. The author analyzed the Thai – Japanese Economic Relations after the World War II. He examined the Japanese role in Thai economy on trade, investment, Yen loan and assistance. Moreover, he also studied the tariff and non-tariff barriers, the obstacles of Japanese investment in Thailand and the conditions of Japanese grant aids. For the trade, he analyzed that the trade deficit between the two countries came from the nature of trade of both countries in which Thailand exported agricultural goods to Japan while Japan exported capital and industrial goods to Thailand. Moreover, Prapat realized that the protectionism was the important non-tariff barrier for Thai product that caused the trade deficit problem. For the investment, the author thought that although Japanese investment played a vital role to develop Thai industry, Japanese investment caused many problems such as technology transfer, the exploitation of Thai resources etc. For ODA, he analyzed that the Japanese ODA did not match with Thailand’s request, therefore, the Thai problems were not solved by the Japanese ODA. Moreover, the author analyzed that the economic relations trend between the two

²⁸ Prapat Thepchatree, “Thai – Japanese Economic Relations,” *Asia Journal* 28, vol.2 (July – December 2007). (in Thai)

countries would be closer and as a result trade, investment and cooperation would be increased.

According to **The Role of Japan in the Thai - Japanese Economic Relationship : A Thai View**²⁹, Thavi Theerawongseri realized the important of the Japanese role in Thai – Japanese economic relations. The author mentioned that Japan was a major trade partner, a leading investor and a prominent donor of Thailand. Although Japan was an important actor in the Thai economy, there were the economic problems between the two countries. Thavi analyzed that Thailand’s economic dependence rooted from the structural inequality of this relationship. The Thai government expected that the White Paper that proposed to restructure the Thai – Japanese economic relationship would correct the imbalance problem. Under the White Paper, both Thailand and Japan needed to readjust its economic structure in the face of the rapidly changing global economic scene. Thailand needed to pay close attention to develop its agro-industrial products to be value-added commodities. Thavi also realized that Thailand should keep the cooperation with the Japanese public and private sector to create the common aspiration for the peace, stability and well-being of two countries.

For the investment sector, Johzen Takeuchi analyzed the technology transfer between Thailand and Japan in “**Technology Transfer and Japan – Thai Relations**”³⁰. Takeuchi analyzed that Thailand and Japan were misleading in a technology transfer concept. Thailand realized that the technology transfer was a piece of baggage with a bundle of handbook manuals while most of Japanese manufacturers considered the concept of technology as implying accumulative and dynamic processes. As Thailand was an agricultural based country and its economy was criticized as immature, this factor was partly responsible for the lack of insufficient accumulation of various skills that was

²⁹ Thavi Theerawongseri, “The Role of Japan in the Thai – Japanese Economic Relationship : A Thai View,” in *Japan’s Economic Role in the Asian Pacific Region Policy Implementation and Response*, ed. Susumu Awanohara (Hong Kong: Center for Asian Pacific Studies, Lingnan College, 1990).

³⁰ Johzen Takeuchi, “Technology Transfer and Japan – Thai Relations,” in *Transfer of Japanese Technology and Management to the ASEAN countries*, ed. Shoichi Yamashita (Tokyo: University of Tokyo Press, 1991).

required in the industrial sector. Therefore, Japan did not transfer high technology to Thailand but Thailand did not understand this at this point. The author mentioned the 4 reasons that Thailand complained about the Japanese reluctance to transfer the latest technology and the R&D sections.

1. The scale of Japanese firms was smaller than that of European and American firms, especially in terms of employment. Therefore, Japan did not have sufficient beneficial effects on employment creation.
2. Japanese firms were indifferent to adopting local materials and intermediate goods, and their business activity did not benefit on domestic industrial sector.
3. Japanese firms did not export their products, which showed that they transferred out of date production systems that lack the potential to gain competitiveness in international markets.
4. Japanese firms did not make the complete handbook manuals for operation and management.

The author suggested that Thailand and Japan needed to collect more information and do more case studies to increase the understanding and to minimize the perception gap, with hopes that the technology transfer problem would be decreased.

Prayoon Shiowattana also studied the technology transfer between Thailand and Japan but in other aspects. She wrote **Japanese Technology Transfer in Thailand**.³¹ She realized that the importance of introducing new technology did not necessarily lead to successful industrialization, but the capability to absorb and improve the acquired technology was much important in order to ensure healthy industrial development. Prayoon mentioned that the root of the problem was that Thailand lacked the capability in technology reproduction. Therefore, the Thai government became more aware of the necessity to promote and strengthen the technological capabilities of industry. For Japan, the technology transfer was determined by the policy of Japanese MNCs. She mentioned that the Japanese joint venture had successful records in technology transfer. As Japan

³¹ Prayoon Shiowattana.

wanted to be a self-contained network in Thailand, it realized that technological strength was a dynamic force, therefore, pressing for further growth of its economic capabilities in Thailand.

Liu Xiaodong examined the effect of Japanese Investment in Thailand after 1986 in **“What Thailand has gained and lost from Japanese investment”**,³². He analyzed that Japanese Direct Investment after 1986 was a significant event that changed the economic situation in Thailand. This article focused on the contributions and conflicts of JDI in Thailand’s economy. For the contributions, JDI stimulated economic growth and industrialization in Thailand. Moreover, one fifth of JDI flew into the Thai manufacturing export sector, this stimulated Thai exports and supported the advancement of the export structure of Thailand. However, JDI also caused problems to Thai economy such as the over industrialization and urbanization, large trade deficit, low rate of technology transfer, etc. As there were many waves of JDI to Thailand, the author studied about how Thailand could manage to integrate JDI into the Thai economy more efficiently and lessen the conflict. He mentioned that the Thai government should attract JDI into Agro-industry and the service sector. Although JDI played a vital role in Thai industry, the Thai government should not expect much on technology transfer and should find other sources of capital in order to reduce overdependence on JDI.

In the case of the development of Thai agricultural products to meet Japanese standards, the article of **Costs of compliance on food safety regulation : case of Thailand’s mango exporting to Japan**³³ was studied by Phanit Chairungrojbanaya. The author studied the cultivation of mango for export, Thai mango’s export market and the food safety measure of both Thailand and Japan. She also studied the cost of compliance on food safety regulations that export to Japan, from the farmers and the export sector. Phanit mentioned that the cost of compliance on Japanese food safety regulation was

³² Liu Xiaodong, “What Thailand has gained and lost from Japanese investment,” *Thai – Japanese Studie* (Pratumthanee: Japanese Studies Center, Institute of East Asian Studies Thammasat University, 1994).

³³ Phanit Chairungrojbanaya, “Costs of Compliance on Food Safety Regulation : Case of Thailand’s Mango Exporting to Japan,” *Japan Watch Project* 1, no. 2 (January – March 2006): 9-18.

divided into 3 parts, the prevention costs, the appraisal costs and the failure costs. She concluded that the food safety measure between Thailand and Japan were not much different but the Japanese measure was stricter than the Thai one, especially the chemical contamination. Phanit thought that although the compliance on food safety increased the cost of Thai mango's export but the farmers were willing to do it since they could export them at a high price.

From the literature on Thailand and Japan economic relations that were reviewed aforementioned, the authors focused on the gain and lost that Thailand got from the economic relationship between Thailand and Japan. There were no articles that exactly focused on the unequal relations between the two countries, especially the dependency. The role of Thai government to improve the unequal economic relations between both countries was not focused on in those issues. Therefore, this research studies the Thai foreign policy toward Japan in detail, the economic aspect. The majority of work addresses the economic nature of both countries that causes Thailand to be more dependent than Japan. This research studies that the regulations under JTEPA can create mutual interests, decrease the economic problem, develop Thai economic structure and solve unequal relations after JTEPA goes into force or not.