

CHAPTER 2
PRE – JTEPA THAILAND – JAPAN ECONOMIC RELATIONS:
THE UNEQUAL RELATIONS?

It was said that Thailand – Japan relations were unequal during pre-JTEPA due to the economic disparity, especially in the field of industrial development. Thailand – Japan economic relations have become strained because Thailand has been overly dependent on Japan while the latter has been less dependent on the former. The Thai government was concerned about Japan’s dominant position which might cause problems between the two countries. Therefore, it had set up policies to reduce dependence, such as the import substitution policy in the 1960s, the export oriented policy in the 1970s etc. The government had realized that economic interdependence was an important the factor for more interaction and that it may create mutual interests between the two countries.

This chapter shows the economic relations between Thailand and Japan in trade, investment and ODA since the postwar period. It also shows the causes that created problems between two countries were examined and the implementation of Thai economic policies from the post war to the economic crisis in 1997

A. Trade

Thailand and Japan trade relations were resumed in 1952, and since then Japan was the major source of Thai imports and an important destination of Thai exports. Although the Thai government realized that Japan was the principal trade partner, trade imbalance between the two countries was Thailand’s crucial problem. Trade deficit between Thailand and Japan stemmed from the economic structural differences, namely the different level of economic development and industrialization. Thailand was an agricultural based economy while Japan was an industrial based economy so the two

countries produced and exported the different kinds of products.¹ The pattern of Thailand's trade with Japan has been an export of Thai raw material, mostly agricultural products, and an import of manufactured goods from Japan. Japan which has been the industrialized partner in a trading relationship that normally has an advantage over Thailand which has been the supplier of raw materials. Similar to most developing countries which have exported the agricultural goods and imported industrial goods, Thailand earned less from its exports than what was necessary to pay for imports. Consequently, Thailand's trade deficit has been increasing overtime. (See Table 2.1)

There were many Thai economic policies that caused trade deficit between Thailand and Japan. Firstly, the Thai government launched an economic development policy with emphasis on infrastructure buildup since it realized that having good infrastructure would support the development of the Thai economy and the nation. Secondly, in order to decrease importation, the Thai government implemented an import substitution policy in the 1960s. This policy encouraged local industry to produce the imports. However, the implementation of these policies could not solve trade deficit as the government had expected. Thailand has been an agricultural based country so it does not have enough capacity in industrialization. Therefore, it must import intermediate inputs, advance technology and machinery from abroad for developing its country and industry. For Thailand, Japan was a large supplier of capital goods for being an industrialized country. More than 80 percent of imported products from Japan were machinery, metal and chemical goods.² In spite of the fact that the import substitution policy was set up to decrease importation, it caused a serious trade deficit due to the importation of high volume of intermediate materials and machinery. Moreover, the implementation of these policies made Thailand more dependent on Japanese industrial products to build up its infrastructure and support its industry.

¹ Likhit Dhiravegin, *Thai – Japanese Postwar Relation* (Bangkok: Japanese Studies Center, 1983), p.12.

² Japanese Studies Center, "Proceeding of the conference on Challenge to Thai Exports," (Bangkok: Institute of East Asian Studies, September 1986).

Table 2.1
Thai – Japanese Trade Relations in 1955 - 1970

(million baht)

Year	Thai Export to Japan	Thai Import from Japan	Balance
1955	1,257	1,378	- 121
1956	593	1,257	- 664
1957	595	1,746	- 1,151
1958	486	1,890	- 1,404
1959	888	2,256	- 1,368
1960	1,530	2,463	- 933
1961	1,481	2,953	- 1,472
1962	1,352	3,357	- 2,005
1963	1,826	4,073	- 2,247
1964	2,673	4,704	-2,031
1965	2,359	5,138	- 2,779
1966	2,930	6,572	- 3,642
1967	3,000	8,046	- 5,046
1968	2,874	8,274	- 5,400
1969	3,192	9,515	- 6,323
1970	3,770	10,107	- 6,337

Source : Japanese Chamber of Commerce, Bangkok, 1987.

Thai economic policy in the 1970s, which had shifted to the export oriented policy, had also increased trade deficit between two countries. Thailand had begun to seriously pursue the export promotion policy, not only of agricultural products, but also

of processed consumption goods.³ The government expected that this policy would encourage Thai exports to Japan and it would decrease trade imbalance between the two countries. After implementation of this policy, the export of manufacturing goods became noticeable, such as electronic and electronic components, electric appliances, textiles etc. Textile was the main Thai manufacturing export at that time.⁴ Although Thailand exported more kinds of manufacturing product, the foodstuffs remained to be the important exported product to Japan. The main Thai foodstuffs were chicken, fish and fish products.⁵ Although Thailand exported more products to Japan, in turn it had to import intermediate products for its industrial goods production. Therefore, the trade deficit continued the problem for Thai economy.

It was not only the Thai government that worried about the trade deficit but Thai students were also concerned with this problem. They worried that Thailand would depend on Japanese industrial goods until it became the economically dominate. Thai students solved this problem by having demonstrations. There were 5 anti-Japanese movements in Thailand under the leadership of the students from 1972 to 1985.⁶ The criticism against Japanese economic domination did not come only from the students but intellectuals, bureaucrats, members of parliament expressed in various seminars and publications.⁷ Thais expected that the anti-Japanese movement would strengthen the Thai government's bargaining power in negotiating trade matters with Japan.⁸ In reaction of 5 demonstrations, Japan promised to take major steps to alleviate the trade imbalance. Firstly, the Japanese government announced the Fukuda Doctrine to improve economic

³ Sarasin Viraphol, *Direction in Thai Foreign Policy* (Bangkok: Institute of Southeast Asian Studies, 1976), p.35.

⁴ Japan Studies Center.

⁵ Ibid.

⁶ 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.381.

⁷ Ibid.

⁸ Sudo Suelo, "The Politics of Thai-Japanese Trade Relations: A study of Negotiation Behavior," in *Thai – Japanese Relations in Historical Perspective*, eds. Chaiwat Khamchoo and E.Bruce Reynolds (Bangkok: Innomedia Co.,Ltd. Press, 1988), pp.220-221.

relations between Japan and ASEAN countries, including Thailand. However, the objective of the Fukuda Doctrine was to create prosperity in Southeast Asia, it did not focus on solving trade deficit problems.⁹ Consequently, trade deficit between Thailand and Japan still increased every year since the Fukuda Doctrine was announced in 1977. (See table 2.2)

Table 2.2
Thai – Japanese Trade Relations in 1971 - 1989

(million baht)

Year	Thai Export to Japan	Thai Import from Japan	Balance
1971	4,277	10,093	- 5,816
1972	4,660	11,401	- 6,471
1973	8,410	15,078	- 6,668
1974	12,853	20,102	- 8,665
1975	12,420	21,085	- 8,665
1976	15,686	23,649	- 7,963
1977	14,029	30,469	- 16,440
1978	16,866	33,461	- 16,595
1979	22,901	37,636	- 14,735
1980	20,098	39,984	- 19,886
1981	21,704	52,521	-30,817
1982	21,947	46,086	-24,139
1983	22,087	64,757	-42,670

⁹ Narongchai Akrasanee and Likhit Dhiravegin, “Trade and Development in Thai-Japanese Relations,” in *ASEAN – Japan Relations Trade and Development*, ed. Narongchai Akrasanee (Singapore: Institute of Southeast Asian Studies, 1983), p.152.

1984	22,744	66,248	-43,504
1985	24,298	62,597	-38,299
1986	32,479	63,656	-31,177
1987	44,608	86,864	-42,256
1988	64,412	148,905	-84,493
1989	87,860	200,937	-113,077

Source : Japanese Chamber of Commerce, Bangkok, 1987.

Statistical Year book Thailand, various years.

Secondly, the White Paper was issued in June 1985 to restructure Thai – Japanese economic relations, namely, Thailand asked Japan to reduce trade imbalance between the two countries by importing more Thai products. Nevertheless, the result of negotiation might not been as fruitful as Thailand expected since Japan did not formally respond to this request. Trade imbalance between the two countries did not improve and Thailand continued to face an increasing trade deficit with Japan. (See figure 2.1)

Table 2.3
Thailand and Japan Trade Relations

(hundred million yen)

Year	Thailand Export to Japan	Thailand Import from Japan	Balance
1990	5,993	13,154	-7,161
1991	7,076	12,723	-5,647
1992	7,533	13,119	-5,586
1993	7,232	13,653	-6,421
1994	8,380	15,025	-6,645

1995	9,499	18,499	-9,000
1996	11,112	19,880	-8,768
1997	11,573	17,644	-6,070
1998	10,682	12,221	-1,540
1999	10,082	12,848	-2,766
2000	11,423	14,694	-3,271
2001	12,605	14,425	-1,820
2002	13,146	16,486	-3,340

Source : Trade Statistics, Ministry of Finance of Japan

The trade deficit problem was not caused by Thailand's economic policy, Japanese economic policy also made the trade deficit problem serious. The Japanese protectionism was the important cause for trade deficit between Thailand and Japan. There were many barriers to prevent foreign products to enter into the Japanese market. Japan imposed high tariff and quota restrictions on primary products which were competitive with Japanese products. Moreover, Japan also set up quality and quarantine restrictions, these barriers made it difficult for exported Thai products to enter the Japanese market.¹⁰ Many Thai businessmen complained about Japan's trade practices which made it difficult for Thai traders to export to Japan. Although the quality and price of Thai agricultural products could compete with the domestic products in the Japanese market, these barriers were the obstacle for Thai products to enter into the Japanese market.

It seemed that imbalance trade relations between the two countries stemmed from economic structural imbalance. Although the Thai government launched many policies to improve this situation, the problem could not be solved effectively due to the lack of capacity from the Thai side. The implementation of each policy caused Thailand to be heavily dependent on Japan in terms of import technology and industrial goods.

¹⁰ Narongchai Akrasanee and Likhit Dhiravegin.

B. Investment

As Thailand has been an agricultural based and developing country with low technology capability, it has been inevitable to depend on both foreign technology and foreign capital in economic industrialization and modernization. Therefore, the Thai economic policy toward foreign capital inflow was quite opened and welcomed when Thailand started to industrialize its economy in the 1950s. FDI seemed to be the most important channel that could transfer hardware and software technology as well as financial capitals to Thailand. Although, the Thai government had adopted a policy of attracting foreign investment into the country since 1954, the FDI had slowly flown into the Thai economy. Therefore, Thai government set another Investment Promotion Act in 1962 to promote investment and it established the Board of investment (BOI) to implement this act.¹¹

After Thai government implemented the industrialized policy in the 1960s, foreign direct investment from many countries such as the United States, some European countries and Japan flew into Thailand. Japan was one of the most important foreign direct investors in the Thai manufacturing industry in terms of both numbers and amount. Forty percent of foreign direct investment flown to Thailand came from Japan.¹² Although Japanese investment supported the development of Thai industrialization, it made Thailand depend on Japanese finance, capital and technology.

The implementation of an import substitution policy in the 1960s created incentive for investment in import substitution industries. The Thai government encouraged private investment by offering benefits; such as, the exemption import duties on machinery and intermediate goods, tariff protection, etc. Japan, a major investor in Thailand, was interested in these benefits, as a result, it invested heavily in production for

¹¹Wilaiwan Wannitilul, *Comparative Study of Foreign Direct Investment in Japan and Thailand* (Bangkok: Economic Research and Training Center, 1996), pp.7-9.

¹²Kunio Yoshihara, "Investment in Indonesia, Thailand, and the Philippines," *Japanese Investment in Southeast Asia* (Kyoto: the Center for Southeast Asian Studies of Kyoto University, 1978), p.74.

the domestic market and little in export-oriented enterprises.¹³ It seemed that Japanese investment during this period had contributed to the development of import substitution industries in Thailand. However, the trading behavior of Japanese affiliates that imported materials and intermediate goods from Japan instead of procuring them locally increased dependency between the two countries and widened the trade deficit between the two. Therefore, the Thai government changed the policy in the following decade.

The Thai government declared an export oriented policy in the 1970s to promote development of the export industry. To implement this policy, Thailand needed a huge amount of finance and high technology. Therefore, the Thai government offered special tax privileges and extended the income tax exemption period for foreign investment. This privilege attracted Japanese investment into Thailand while Japan faced the rapid rise in wage levels and oil crises in the 1970s. Japan realized that the high cost of production would be the disadvantage of its products in competition with others in the world market. Therefore, Japanese labor- intensive industries, particularly textiles, and other manufacturing industries such as electronic, electrical appliances, and electronic components actively undertook foreign direct investment to Thailand. Although Japanese investment in the 1970s helped the development of the Thai export industry, Thailand still faced the same problems as the last decade. As Thailand could not support capital goods and technology to support its production process, Japanese companies or Thailand – Japan joint venture companies had to import these products from Japan.

Although Thailand tried to decrease the dependence upon Japanese investment, there were factors from both Thailand and Japan that encouraged Japanese investment in Thailand in the 1980s. For Thailand, the Fifth and Sixth National Economic and Social Development Plans (1982-1986), (1987-1991) focused on economic development, especially industrial structure development. Due to the lack of finance and skill, Thai government needed foreign direct investment to support its plans. At the same time, the Japan faced the problems of yen appreciation and high wages in 1985 after the Plaza

¹³Thammarak Karnpisit, “Thai – Japanese Economic Relation,” a paper presented at The ASIA Dialogue – Odawara Symposium, 1977.

Accord took place, therefore, Japanese firms relocated their production base to abroad for decreasing its production cost. As Thailand had good investment environment such as economic and political stability, low wage and reasonable infrastructure, Thailand has become an attractive foreign direct investment destination in this region. Many Japanese firms decided to invest in various sectors of Thai industry such as textile, chemical, automobile, metal, electrical and electronic products etc. Especially the automobile industry, Thailand has been the largest automobile production base in this region. Due to the fact that Japan invested in the industry that Thailand had the least capability and could not provide the raw material, the importation of technology and capital from Japan was necessary for production process in Japanese firms. Moreover, Japanese investment after 1985 to pre JTEPA was still aimed at the domestic market and heavily dependent on imported materials and capital goods. That was the reason why trade deficit between Thailand and Japan could not be solved and the gap become wider.

Table 2.4
Japanese Direct Investment in Thailand, ASEAN and Asia
(Million U.S. dollars and percent)

Country/Region	1971-75	1976-80	1981-85	1986	1987	1988	1989
Thailand	117	188	364	124	250	859	1,276
ASEAN	2,412	4,119	6,450	855	1,524	2,713	4,684
Asia	3,466	5,613	9,633	2,327	4,868	5,569	8,238
World	13,366	20,554	47,151	22,320	33,364	47,022	67,540
% Thailand in ASEAN	4.85	4.56	5.64	14.50	16.40	31.66	27.24
% Thailand in World	0.95	0.91	0.77	0.56	0.75	1.83	1.89
% ASEAN in World	19.51	20.04	13.68	3.83	4.57	5.77	6.94
% Asia in World	28.03	27.31	20.43	10.43	14.59	11.84	12.20

Source: Ministry of Finance, Japan

Due to the fact that Thailand wanted to upgrade its economy, the biggest expectation that Thailand had from Japanese investment was technology transfer; however, it did not go as smoothly as expected. The problem might come from the tradition of Japanese management style. The management style of Japan is that the headquarters are unwillingness to transfer high technology to its overseas subsidiaries in order to maintain their advantages. This was one of the reasons that the Japanese was blamed from the Thai side about the reluctance in transferring technology.¹⁴ In the Thailand and Japan joint venture firms, Japanese staff argued that Thai staff could not yet absorb the most up-to-date technology while the Thai side also complained that the Japanese did not even try, and the training they offered was very limited in scope and purpose. Since the technology received was out of date, Thai staff could of never progressed and caught up.¹⁵ The technological transfer problem was the major problem that made Thailand dependent on Japanese high technology that was applied in many Thai industries.

Table 2.5

Net flows of foreign direct investment in Thailand, by major countries

(in million US\$)

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999(Jan-Oct)
Japan	1,117	624	343	305	123	556	523	1,351	1,528	778
USA	246	237	472	286	155	260	429	824	913	749
UK	45	10	129	161	44	55	57	118	134	230
Hong Kong	281	463	582	193	318	279	215	472	460	420
Singapore	245	259	269	61	184	136	275	314	530	1,151

Sources: Bank of Thailand and Board of Investment.

¹⁴Liu Xiaodong, "What Thailand Has Gained and Lost from Japanese Investment," in *Thai – Japanese Studies* (Pratumthanee: Japanese Studies Center, Institute of East Asian Studies Thammasat University, 1994), p.25.

¹⁵Nigel Holloway, "Japan in Asia: The economic impact on the region," in *Thailand: Money Talks* (Hong Kong: Review Publishing, 1991), p.152.

Since Thailand was lacking competence to develop its economy by itself, foreign direct investment, both financial and technological, was necessary to improve skills and the economy in Thailand. Moreover, the Thai government did not have a good policy to develop competence of its staff to absorb the high technology from the Japanese side, therefore, Thailand still imported Japanese technology for developing its economy and using it in its industry. Technology transfer was an important cause of unequal relations between Thailand and Japan.

C. Official Development Assistance (ODA)

Thailand received the Japanese ODA in the early stage after the postwar period as war reparation. Thai government set up many policies to develop its economy since the end of the Second World War. As Thailand was lacking finance and technology for this process, it was necessary to attract FDI and request for the assistance from foreign sources which were the international organizations and developed countries. Although Thailand had received ODA from many sources, it regarded Japan as one of the most important donors. Japan's Official Development Assistance (ODA) has significantly contributed to economic and social development in Thailand, through the establishment of a major infrastructure, the development of human resources, the transferring of technology, academic research and so on. Japan has provided ODA to Thailand in various types, namely, grant, yen loans and technical assistance.¹⁶ The Japanese International Cooperation Agency (JICA) has overseen the grant and technical cooperation while Japan Bank for International Cooperation (JBIC) has overseen the yen loan. JBIC was created in 1999 from merging of the Export – Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF).

¹⁶Embassy of Japan, Thailand, "Japan – Thailand ODA," <http://www.th.emb-japan.go.jp/en/oda/index.htm>.

Thailand had received grant from Japan since 1955, the grants went to agricultural, educational, scientific, technological, health, and community development.¹⁷ Japanese grants to Thailand continued increasing almost every year from 1955 to 1989, which has amounted to 1,099.9 million dollars (see Table 2.5 and Table 2.6). However, the rate of grants decreased since the first half of the 1990s due to the rapid growth of the Thai economy. JICA has supported grant to cooperation projects, and the financial assistance under the grant projects was spent for the procurement of facilities, equipment and services.¹⁸ Construction of Rama IV Overhead Road for Thai-Japanese Friendship, Construction of Industrial Rights Information Center and Construction of Thailand Cultural Center were the example of projects that Thailand got grant from Japan.¹⁹

Japan not only promoted infrastructure development through grant, it also provided technical cooperation. Thailand has gotten technical assistance from Japan since 1954 to help recover the country after the war. Japanese technical assistance to Thailand had three major elements which were dispatching experts, providing equipment, and accepting trainees. The dispatching experts and providing equipment would support the development of Thai economic structure while accepting trainees and giving scholarships to Thai students would provide opportunities for human development. Thailand got Japanese technical assistance for many projects such as the Expansion of King Mongkut's Institute of Technology Ladkrabang (KMITL), Construction of Environmental Training and Research Center and the Project for Technical Strengthening of the National Institute of Metrology²⁰

Japan's yen loans concentrated on economic infrastructure development which was the foundation of industrialization, and promoted private sector investment. JBIC provided long-term and low interest rate loans to the construction of large public

¹⁷Pranee 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.

¹⁸Gerda van Roozendaal, "Japanese Development Assistance in Developing Countries' Agriculture," *Biotechnology and Development Monitor* 22 (March 1995).

¹⁹ Embassy of Japan, Thailand.

²⁰ Ibid.

infrastructure that develops social structure and the infrastructure of developing countries, including Thailand. The total overseas loan of Thai government during 1961-1986, amounted 15,529.7 million dollars, of which 2,851.8 million dollars or 18.4% came from Japan.²¹ Japan's ODA also played the vital role when Thailand faced the economic crisis in 1997. The Japanese government provided yen loans through IMF and New Miyazawa Initiative to help recover the country after Thailand faced the economic crisis in 1997. For the New Miyazawa Plan, Japanese government gave 30,000 million yen loan for the improvement of the country's international balance of payments. This also aimed to support the socially vulnerable and effective public works to create employment.²² It seemed that Japanese ODA helped Thailand to recover from the economy. Such assistance provided at this time of economic crisis was highly appreciated for the contribution not only to the recovery of the Thai economy but also further the deepening of friendly relations between Thailand and Japan. There were many projects that were supported by yen loans. For example, Ratchaburi Power Combined Cycle Gas Turbine Power Generation Project, Eastern Seaboard Development Project, the Subway in Bangkok, Suvarnabhumi Airport, and Metropolitan Telephone Expansion Plan.

²¹Pranee Tinakorn and Patchree Siroros, pp.3-11.

²²Ministry of Foreign Affairs of Japan, "ODA Loan to Thailand," <http://www.mofa.go.jp/announce/annouce/1992/3/312-5.html>.

Table 2.6**Japan's Official Development Assistance (ODA) to Thailand in 1955 – 1986****(million U.S. dollars)**

Year	Grants	Loans	Total	% in total
1955-58*	15.0	0	15.0	-
1962-69#	26.7	0	26.7	-
1970	2.4	14.5	16.9	4.5
1971	3.6	11.9	15.5	3.6
1972	4.5	11.0	15.5	3.2
1973	5.1	12.6	17.7	2.3
1974	6.5	10.9	17.4	2.0
1975	7.7	33.5	41.2	4.8
1976	8.3	34.8	43.1	5.7
1977	15.3	36.5	51.8	5.8
1978	26.1	77.6	103.7	6.8
1979	43.0	136.9	179.9	9.4
1980	70.2	119.8	190.0	9.7
1981	82.6	131.9	214.5	9.1
1982	61.2	109.1	170.3	7.2
1983	89.3	158.8	248.1	10.2
1984	90.4	141.6	232.0	9.6
1985	117.2	146.9	264.1	10.3
1986	125.8	134.7	260.5	6.8

Sources : Recent history of Ministry of Foreign Affairs, various issues;
Ministry of Economy, Trade and Industry, Aid for economic
cooperation and its problematical point, various issues.

* = July 1955 Special Yen Agreement (I)

= January 1962 Special Yen Agreement (II)

Table 2.7
Japan's ODA to Thailand

(¥ 100 million)

Fiscal Year	Year Loan	Grant Aid	Technical Cooperation	Total
FY 1987	818.00	117.00	81.00	1,016.00
FY 1988	758.00	93.00	84.00	935.00
FY 1989	812.00	89.00	80.00	981.00
FY 1990	-	67.00	77.00	144.00
FY 1991	846.87	59.53	75.78	982.18
FY 1992	1,273.75	32.14	93.41	1,399.90
FY 1993	1,044.62	31.45	83.80	1,159.87
FY 1994	823.34	0.99	81.02	905.35
FY 1995	616.53	1.87	79.78	698.18
FY 1996	1,183.81	2.56	95.07	1,281.44
FY 1997	1,059.47	2.87	89.05	1,151.39
FY 1998	1,475.62	22.59	102.52	1,600.73
FY 1999	1,517.90	2.07	66.03	1,586.00
FY 2000	956.71	2.48	66.39	1,025.58
FY 2001	64.05	3.16	69.52	136.46
FY 2002	451.70	3.54	56.77	512.01
FY 2003	448.52	4.30	42.96	495.78

Notes: 1. Classification of "Fiscal Year" : Yen Loan and Grant Aid are on an Exchange of Note (E/N) basis. Technical Cooperation is on a JICA's disbursement basis.
2. Japanese Embassy, Thailand, <http://www.th.emb-japan.go.jp/en/oda/index.htm#a>.

Although Thailand realized the benefits of Japanese ODA for its economic development, it was suspicious of the sincerity of Japanese ODA. There were some criticisms of Japanese ODA in Thailand, and the main criticism of Japanese ODA was its commercial motive behind aid-giving. It was said that the Japanese government used ODA as one of its economic policies which helped to ensure Japanese economic

prosperity. Japan hoped that distributing part of its wealth through ODA would assure its economic security and facilitate its business in Thailand, which was another way to pursue its national interest in Thailand. Since Thailand has been the source of Japanese raw materials, export markets and the largest production base of automobile industry in the Southeast Asian region, therefore, Japanese ODA to Thailand were mainly used to develop an economic infrastructure that would support its business. However, it was undeniable that Japanese ODA played the vital role of Thailand's economic growth and national development from the 1970s to the 1990s.

Thailand intended to change the traditional donor – recipient relations to a new type of cooperation on the basis of mutual benefits. The Thai government realized that Thailand and Japan should be on equal footing, therefore, it decreased loans for development in some sectors. In 1994, Japan – Thailand Partnership Program (JTPP) was set up, after that Thailand and Japan jointly provided technical assistance to other developing countries. Moreover, in recent years, the Thai government asked Japan to provide the assistance that Japan would give to Thailand to less developed countries in this region.²³

Although Thailand and Japan were the good economic partners since the post war, the economic disparity caused the dependent problem of the latter. As Thailand was an agricultural based and developing country, therefore, Thailand depended on Japanese industrial goods for its economic development. Moreover, the nature of trade between the two countries, the Thai exports was agricultural goods while the Japanese exports was industrial goods, caused the trade deficit problem. For the investment, it was undeniable that Japanese investment played the vital role in Thai industrialization, especially automobile industry. Thailand needed Japanese investment in both capital and technology for its industrial development. For the assistance, due to the constraint of budget and technology, Thailand requested Japanese ODA for its economic development. Japan provided ODA in terms of grants, loans and technical assistance for infrastructure

²³ Ministry of Foreign Affairs, Japan, “Japan’s Economic Cooperation Program for Thailand,” http://www-mofa.mofa.go.jp/policy/oda/region/e_asia/thailand.pdf.

establishment, human development, scholarships etc. Thailand realized that the economic problem between Thailand and Japan came from the difference of economic structure, therefore, the Thai government set up policies to develop its economic structure such as industrialization, human resources development, import substitution, export promotion, etc., to solve economic problems. However, the development of economic structure took time, the economic problems between Thailand and Japan could not be solved after the policy was implemented. Moreover, the implementation of some policies increased dependency problems.