

CHAPTER 5

DOES THE RELATIONS BECOME MORE EQUAL?

It seemed that the dependent economic relation between Thailand and Japan came from the economic disparity, especially in the field of industrial development. Due to the fact that the development of economic structure takes time, it is unable to solve this problem within the short term. Although the Thai government developed many policies to improve the economic relations between the two countries, those policies could not solve the dependent problem. After the economic crisis, Thailand needed capital, investment and assistance to support its economic recovery. This situation made the Thai economy more dependent on Japanese economy, especially the assistance. In the recovery period, trade liberalization was very popular in the global economy. Thailand realized that trade liberalization would stimulate its economic growth and might be an instrument to strengthen economic relations with its partners, therefore, the Thai government negotiated FTAs with many trade partners such as Australia, Bahrain, Japan etc.

The slow pace of multilateral liberalization encouraged many countries to develop bilateral or regional agreements, including Thailand. As many countries developed FTA with Japan, a major trade partner of Thailand, to create mutual interests, the Thai government realized that it must negotiate FTAs with Japan to keep existing interests and create mutual interests between the two countries. Moreover, Thailand expected that this pact might be an instrument to solve economic problems and improve unequal economic relations between Thailand and Japan. For Japan, it also worries about the slow pace of WTO and the emerging economic power of China, therefore, it actively negotiated FTA with many trade partners, especially ASEAN countries. The economic regression also encouraged Japan to negotiate bilateral liberalization since Japan expected that this agreement would stimulate its economic growth and reform domestic economy.

As the national interest is an important point for every country, therefore, the ruler or government must seek the advantage and defend the national interest when forming the foreign policy. The Thai government is also concerned about issue when its foreign policy is formed. In the negotiation process, Thai representatives tried to defend the national interest as much as they can. Moreover, many Thai ministries encourage the businessmen or entrepreneurs to gain benefits from this pact. However, Thailand also realizes that the unequal relations between the trade partners causes the unfair practice to pursue national interests, the Thai government expects that this pact encourages the interdependence between two countries. Although Thailand realizes that the asymmetrical relations are quite common in the contemporary world, it tries to decrease the one way dependence.

As Japan has been a major trade partner of Thailand, therefore, Thailand negotiates “new age” of trade liberalization with Japan. Japan and Thailand Economic Partnership Agreement (JTEPA) does 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 more favorable investment climate, and generating greater business opportunities through cooperation, liberalization and facilitation in trade and investment between the two countries. Thailand also believes that JTEPA marks a new era for Japan-Thailand strategic partnership creates mutual interest between the two countries.

Although JTEPA provides many benefits to Thailand, Thailand must take time to develop its capacity, therefore, it cannot gain the benefits from this pact at the first stage. For trade, although 90% of tariffs of Thai agricultural goods is eliminated, Thailand may not increase agricultural exports’ volume to Japan as it expected due to the strict Japanese safety standard. Although Thai exporters complain that the food safety standard is the protectionism policy that Japan uses to protect its agricultural sector, Japan argues that it is the regulation for Japanese consumer’s safety. While Thai goods cannot export to Japan, many Thai industries imports industrial goods, capital goods and

high technology from Japan to enjoy benefits on tariffs without concern about the quality of products. The United States or European goods may be better quality than the Japanese ones but Thai industry may not be concerned on this point, they focus only on the tariff benefits that they get from the Japanese side. This makes trade deficit problems become serious and Thailand more dependent on Japanese industrial goods.

For investment, Japan has been the largest investor in Thailand in both amount and volume. It is undeniable that Japanese investments are very important for Thai industrialization. Under JTEPA, Thailand does not offer any privileges to Japanese investors as it gets from BOI but Thailand set up “One Stop Service Centre” for Japanese investors to apply for visas and work permits in one time. Moreover, BOI set up the Liaison Office to provide the information for Japanese investors.¹ And the regulations under JTEPA provide the confidence for Japanese investors to do business in Thailand. For example, the dispute settlement under JTEPA guarantees that Japanese investors get the fair practice when they have business’ problems with the Thai government or private sector. Therefore, Thailand expects that JTEPA attracts Japanese investment into Thailand and supports the development of Thai industry, especially the automobile industry. Thailand needs Japanese investment to develop the Thai automobile industry in order to be the “Detroit of Asia”. The development of the automobile industry also stimulates the development of supported industries that support the automobile industry and to compete with Japanese products that flow into Thailand. Under JTEPA, Japanese investment still plays a vital role in developing Thai industry, therefore, it is the challenge of Thai industry to develop itself to be in partnership. However, during the development period, Thailand depends on Japanese capital, technology.

For the cooperation, the Thai government realizes that Thailand and Japan should be an equal footing. Thailand intends to change the traditional donor – recipient relations to a new type of cooperation on the basis of mutual benefits. Thailand expects that the cooperation under JTEPA develops Thailand to rely on itself and decrease the dependency on Japan. However, the cooperation is the willingness of both countries,

¹ *Thailand’s Investment Promotion Journal*, June 2007.

therefore, it may not occur if one side is not willing to do so. Moreover, the experts, capital, technology to implement the cooperation's projects come from Japanese side, Thailand cannot deny that it depend on Japan to implement these projects.

JTEPA provides opportunity for both countries to gain benefits. For Thailand, it seems that how much Thailand gains benefits from JTEPA depends on the ability of the relevant official to help the private sector, and farmers to take the benefits.² It likes that Thai officials do not pay much attention to encourage the private sector or farmers to gain benefits from this pact as the official from the Ministry of Commerce said, many Thai exporters do not ask the ROO's certificate from the government.³ Consequently, they do not get the privilege on tariffs as it should get from JTEPA. For Japan, the Japanese government actively promotes the benefits from JTEPA to its investors or entrepreneurs. They prepare themselves to pursue interest for this pact, therefore, they take action immediately when JTEPA takes effect.

JTEPA is the comprehensive bilateral agreement that covers various aspects of economic relations between the two countries. Japan provides more privileges to Thailand than it gives to other partners that Japan concluded EPA in this time. As Thailand does not prepare its economy for trade liberalization, it cannot gain potential benefits from JTEPA and many sectors get negative effects from this pact. Although, Thailand has an assistance policy to help the sectors that get negative effects from this pact, it is not enough for Thai entrepreneurs to compete in the trade liberalization. Therefore, this pact cannot be the instrument to improve economic relations between the two countries as Thailand expected in the short or medium period. Moreover, the nature of the Thai economy also makes the dependent problem more serious.

According to the "Realist" perspective, the national interest of any state lies in the obligation to protect and promote the good of the country. It is the main responsibility of the ruler to seek the advantages or defend the interests of the state. Therefore, the Thai government develops EPA with Japan as it expects JTEPA to be an instrument to

² "Article misreported Japan's rush to get FTA signed early," *The Nation*, July 21, 2006.

³ Interviews with Ms.Pannipa Laohalidanont, Ministry of Commerce, February 2, 2008.

promote its national interest from Thai and Japanese economic relations. This is because this pact creates many economic activities, facilitates trade and investment and decreases trade barriers between the two countries. Moreover, the cooperation under JTEPA also supports Thailand to pursue the national interest between Thailand and Japan's economic relations and in the international market.

In terms of the "Economic Interdependence" concept, states are interested in absolute gains relative to other states.⁴ Interdependence may be highly asymmetrical, that is, one actor may depend on another actor at a much greater extent such as the relationship between less developed and developed countries.⁵ Thailand and Japan's economic relations also reflect this circumstance. As Thailand realizes the disadvantages of being heavily dependent on Japan, it develops many policies to decrease this problem. Thailand expects that JTEPA is one policy to increase symmetrical interdependence and economic relations between Thailand and Japan as this pact supports the development of Thai economic capacity in various fields.

From the study of JTEPA, it seems that the equal partnership is not an issue of JTEPA due to the difference of economic structure of both countries. However, JTEPA is an instrument to encourage the partnership with more consideration of each partner's desire in the next step of the economic relations.

Recommendation

Focus on trade, Thailand must develop the policy and approve its budget to develop its economy and upgrade Thai products to meet the international standard so Thai products are able to compete with Japanese products both in Thailand and Japan. This may increase Thai exports to Japan and decrease Japanese imports so that the trade deficit problem becomes less serious.

⁴ Joseph S. Nye, JR. "Interdependence and Power," *Understanding International Conflicts* (New York: Harper Collins College Publishers, 1993).

⁵ Robert O. Keohane and Joseph S. Nye, "Interdependence in World Politics," *Power and Interdependence* (New York: Longman, 2001), p7.

For the investment as Thailand cannot wait only for the technology transfer from Japan to develop Thai labor's skills, the Thai government must set up an institute to develop Thai labor's skills by itself. This institute must develop the absorptive capacity of Thai labor and then they can absorb advanced technology from the joint-venture company. This development decreases the technological dependence which is the serious problem between Thailand and Japan joint-venture companies.

As this pact covers various aspects of economic relations between the two countries, it is not only the entrepreneurs that get affected from this pact, the consumer may get effected too. The Thai government should have a policy and a budget to assist Thai consumers that get affected from this pact.