Keynote Address on
“Sustainable Development Strategy for a New Era in Thailand”
by
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Distinguished Guests,
Ladies and Gentlemen,

Thank you very much for a kind introduction. I am honored and delighted to be invited to speak at this wonderful seminar today.

First of all, on behalf of the people of Japan I would like to express my sincere appreciation of the heartfelt sympathy, support and assistance extended to Japan from Thai people and government at the time of the dreadful disasters caused by the Great East Japan Earthquake and Tsunami that hit Japan on March 11.

In July this year I met 3 young ladies from Thailand who participated in the Training Course “Implementation of the WTO Agreement” sponsored by JICA, Japan International Cooperation Agency. I asked them for an advice for me to understand better about the important facts and elements for the sustainable development of Thailand. They strongly suggested me to learn about the Sufficiency Economy Philosophy proposed by His Majesty the King. I am quite impressed by the Philosophy and happy to learn that this Philosophy has been incorporated into National Economic and Social Development Plan covering the period from 2007 to 2011. It has also been recognized internationally. UNDP, the United Nations Development Program, stated in its Human Development Report of 2007:

“The Sufficiency Economy is an approach to life and conduct which is applicable to every level from the individual through the family and community to the management and development of the nation. This approach offers a way to cope with the unavoidable realities of the market and globalization in the contemporary world. The Sufficiency
approach stresses that individuals need a certain measures of self-reliance to deal best with the market, and countries need a certain measures of self-reliance to deal with globalization. Sufficiency has the dual meaning of “not too little” and “not too much”. The principle of moderation or middle way is a guide for finding the right balance between internal resources and external pressures, between the needs of society at grassroots, and the imperatives of the global economy.”

I know many Japanese people who like Thailand and many company executives who say Thailand is one of the most desirable destinations of their investment. Now I feel confident why they say so. The Sufficiency Philosophy must have been well implemented among the people of Thailand.

In June 2010 Nissan exported a compact car “March” built in Thailand for the first time to Japan. Nissan’s decision to build a Japanese designed car outside Japan for export back to the home market is epoch-making and demonstrated the capability of Thai automotive industry to manufacture high quality products. Thai government in 2007 introduced a package of incentives for “eco-car” designed to stimulate a new phase of growth in the automotive industry. This incentives package has attracted substantial interest from Japan, Europe and India. The global demand for fuel-efficient cars is rising sharply and domestic demand for eco-cars is expected to be strong.

For the Japanese investors, the attraction of Thailand has shifted from a focus on cheap labor to its strategic location for not only the South-east Asia but also the growing market of China and India, as well as Japan, the U.S. and Europe.

Thailand has become a strategic export hub for Asian region and Japanese companies, especially in the heavy industries such as automobiles, chemicals and steel have latched on to Thailand for export. Japanese companies accounted for more than 40 per cent of all inward investment in Thailand in 2009, double the share from Europe and 10 times the flow from the U.S. There is an accumulation of industries, including parts manufacturers and raw material suppliers, which are using technology from Japan, for instance the automobile industry can readily get Japanese-standard parts locally, which cannot be expected in Vietnam or Indonesia.
In order to keep this advantageous position and develop it further, it is very important for Thailand to employ the economic and trade policies and measures in compliance with the commitment of the international agreements such as the WTO and Free Trade Agreements so that foreign business people will feel safe and be attracted to invest and do business in Thailand. It is also essential to build up good infrastructures to facilitate the industrial activities and trade. Thailand has been making very useful FTA networks with Japan, India, Australia, New Zealand, Peru and ASEAN that also connect with China and Korea. These networks will strengthen Thai position in trade and economic development.

Export of the first Japanese car to the United States began in 1957. The reception of the car was horrible. Toyota wanted to demonstrate the car’s reliability but it could not keep up with the traffic on the American highways. This was the car that gave Americans a bad image of Japanese built vehicles. It was solid, but underpowered and uncomfortable.

In 1960 I went to California as an AFS (American Field Service) exchange student and lived with an American family for one year. In my home town in western Japan in those days there was one stretch of narrow road paved for about 2 kilometers and other roads were muddy and bumpy. I was astonished to see big highways and skyscrapers in San Francisco. My American family had two big cars, color TVs, refrigerators, a washing machine just like I saw in the Hollywood movies. The difference between two countries was unbelievable. In 1960s major export items from Japan were textile and labor intensive products and “Made in Japan” products were considered cheap but poor in quality.

20 years later in 1980 I went to the United States on business. I was in charge of export of the steel products to the American market. We told to our American customers that our products were high in price but of good quality because they were “Made in Japan”. What a change in only 20 years!

Today, the automobile and electronic products “Made in Thailand” are exported not only to the developing countries but also to the U.S., EU and Japan. It is an evidence of good quality that Nissan started export their passenger car “Made in Thailand” to Japan. There is an accumulation of industries, including parts manufacturers and raw material
suppliers, which are using technology from Japan. Increasing number of Japanese companies are considering relocating their R&D centers from Japan and Thailand is one of the most favorable choices of relocation. In order to attract such investment, there should be good human resources to cope with high technologies and also it is important to implement fair treatment of intellectual property rights. I expect “Made in Thailand” will soon be accepted internationally as a brand of good and reliable products.

In 1980s Japan was a leading export country and faced severe trade conflicts between Japan and the developed countries such as the United States and Europe. There were strong pressures from those countries to employ voluntary restriction of export and frequent application of trade remedy measures such as anti-dumping. In order to cope with such difficult situations, business people and the government officials decided to establish the “Fair Trade Center”.

As Thailand may face such trade conflicts in the near future, I would like to advise to establish a “WTO Center” to cover the trade issues related to the WTO affairs and FTAs. In order to give you more concrete image of the “WTO Center”, I will explain about the “Fair Trade Center” in Japan.

The main objectives of the “Fair Trade Center” are to support the WTO trading system, open trade, fair competition, trade related intellectual property, harmonization between trade and environment, WTO capacity building and sustainable development of global economy. The activities of the Center in early days were focused on assisting Japanese companies in coping with anti-dumping investigations by foreign authorities. After the WTO was established in 1995, the Center expanded its activities to include a wider range of trade issues under the WTO trading system. The Center has become a think tank and consultation center on a variety of issues related to trade and international economic law.

Establishment of the WTO centers is useful for Thailand to support and promote the trade and investment under the WTO trading system and FTA’s.

The major objectives and functions are
- a focal point for information and study on the WTO as an antenna for trade issues by gathering up-to-date and accurate information
- a communication channel between government and private sector
- consultation on trade issues such as anti-dumping and dispute settlement
- a center for capacity building

As I mentioned, it is very important for Thailand to employ the economic and trade policies and measures in compliance with the commitment of the international agreements such as the WTO and FTAs so that foreign business people will feel safe and be attracted to invest and do business in Thailand. It is also essential to build up good infrastructures to facilitate the industrial activities and trade. Thailand has been making very useful FTA networks that will strengthen Thai position in trade and economic development.

As a leading trading economy, Japan has based its external economic policies on the rules and agreements of the WTO and other multilateral frameworks. For a long time, Japan has benefited significantly from the multilateral trade system. In the recent years, however, the multilateral negotiations have made little progress and many countries have shifted their efforts towards bilateral and regional agreements.

Under these circumstances, it is necessary for Japan to develop strategic multi-layered trade policies by accelerating the negotiations of the Free Trade Agreement (FTA) and Economic Partnership Agreements (EPA) to complement the WTO and the multilateral frameworks. Japan prefers to name its free trade agreements as EPA because EPA will cover not only trade and tariffs but also the rules and arrangements of investment, intellectual property, competition, personnel exchanges and other areas of mutual interest of economies. The bilateral trade agreement between Thailand and Japan is also an Economic Partnership Agreement.

There are several strategically important reasons for Japan to pursue EPAs. Japanese companies have invested globally and intensively in Asia. It is, therefore, necessary for Japan to establish practical and transparent investment rules in EPA with Asian countries. Japan has few natural resources such as energy resources and raw materials, so it is of great importance to conclude EPAs with the countries which will be able to export such natural resources to Japan.
In the near future, Japan will face decreasing population due to very low birthrate and it has become a crucial issue whether Japan will be able to sustain its social and economic structure. Japan should make good arrangements with EPA partners for personnel exchange to prepare for the future crisis. Today Japan imports 60% of food. It is very critical for Japan to secure the food imports. Agriculture is a very sensitive area in the EPA negotiations but Japan should be more flexible to conclude EPAs with the countries which are capable of exporting agricultural products.

In the society of aging population and declining birthrate, economic growth of Japan is expected to be small or even negative in both domestic production and demand. It is, therefore, important for Japan to further strengthen economic relationship with East Asia, where rapid growth is expected. It will enable Japan to bring the power of East Asia into it through various channels of trade, investment, exchange of experts. For strengthening economic relationship, EPA can be very useful.

EPA with ASEAN as a whole is important to Japanese companies. For example, when the parts produced in Japan are further processed into final products in the ASEAN region and are exported to a country within the region, bilateral FTA may not be able to cover all cases but an EPA with ASEAN as a whole can act as an umbrella for them by establishing a “Made in Japan-ASEAN” criteria.

EPAs with Thailand, Indonesia and the Philippines include articles on entry to Japan of the professionals such as nurses and caretakers of aged people. As Japan will soon face declining birthrate and aging population, it is very important to establish a good education and qualification programs for the foreign workers as soon as possible.

China, India and ASEAN are growing mega markets. Thailand is geographically located in the center of ASEAN. The infrastructure projects such as Mekong Delta Development, Asian Highways and construction of a new port facing Indian Ocean will add great advantages for Thailand to access these mega markets.

Tourism is also one of the major economic factors in Thailand. There is great variety of attractions. There are beautiful tropical islands and beaches, historical temples and palaces, variety of flowers, birds and natural life, which attract the tourists from all over
the world. The tourism industry has grown successfully to provide wide range of hotels and services for the foreign visitors. As the economy grow, the domestic demand for tourism will increase. In order to provide the services for the increasing domestic demand, it is necessary to create tourist attractions, leisure facilities and hotels for Thai people. It will continue to grow and contribute to the development of many local areas of the country.

In order to realize the sustainable development, it is very important to maintain a good balance between economic development and environmental protection. In Japan environmental pollution has accompanied industrialization since Meiji period, 100 years ago. The rapid industrial development after the World War II caused very serious environmental deterioration in the 1960s Water and air pollution by the mines and chemical plants caused the famous “Four Big Pollution Diseases” and thousands of people suffered. In 1980s and 90s Japanese government and companies made great effort to overcome the pollution problems. In 1993 the “Basic Environmental Law” was legislated. The law included restriction of industrial emissions, restriction of products, restriction of wastes, improvement of energy conservation, promotion of recycling, restriction of land utilization, arrangement of environmental pollution control programs, relief of victims and provision for sanctions.

This year on March 11th the Great East Japan Earthquake and Tsunami hit the nuclear plant in Fukushima and caused a dreadful disaster. The radioactive materials were scattered by the hydrogen explosions and contaminated the soil. People living within 20 kilometers from the nuclear plant were ordered to evacuate. It may take many years to recover the contaminated lands to a reasonably safe level.

The economic growth and industrialization in Thailand also has been causing environmental problems. Thailand faces problems with air and water pollution, deforestation, soil erosion, water shortage and hazardous waste issues. The environmental problem caused by toxic emissions at Map Ta Phut Industrial Estate was significant. In order to realize the sustainable development, it is essential to manage the good balance between economic development and environmental protection.

In 1979 Professor Ezra Vogel of Harvard University wrote a famous book “Japan as Number One”. Japan underwent a rapid economic growth in 1980s that lead to the
“bubble economy”. In the early 1990s the bubble burst and Japan had to go through the so-called “lost 2 decades”.

When a country makes a very rapid economic growth, we are afraid of a bubble economy and worry whether it is sustainable. Today Thailand enjoys economic growth. It is important to achieve the objectives of the economic growth so that people will benefit from it and realize improvement of quality of life including social welfare and education opportunities. If the “Sufficient Economy Philosophy” is well implemented among the people and substantially incorporated in the National Economic and Social Development Plan, I am confident that Thailand will be able to go forward to make the sustainable development in the new era.

Thank you very much for your kind attention.