

Legitimate ownership of Thailand

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Part 1

A guide to ownership

Ownership :What money cannot buy

- Emphasis on ownership and partnership as the linchpin of aid effectiveness since DAC's New Development Strategy of 1996
- "It is clear to all of us that ownership is essential."
(James Wolfensohn, *Proposal for a Comprehensive Development Framework*, 1999)

Ownership : Mainstream Views

- "Countries must be in the driver's seat and set the course" (Wolfensohn, 1999)
- Ownership: strong domestic support of reforms and a prerequisite for success
"the lending cum conditionality works well only when local polities have decided, largely on their own, possibly with outside technical help, to address their reform needs"
(World Bank, *Assessing Aid*, 1998)

Ownership: In the reality of aid relationship

- Recipient country could be in the driver's seat and seize the wheel.
- "(Donors) can put extra fuel in the tank if the car is heading in the right direction"
(Editorial, Financial Times, August 21, 2001)
- A driver finds soon that fuel is not supplied, whenever he tries to choose a "wrong" direction, from the viewpoint of the aid community.

How to survive in the jungle of aid relationship

- Powerful countries, such as China and India, with strong bargaining power and low aid dependency do not need to worry about
- Two options for less fortunate countries:
 - 1) Playing a "good boy ": Ghana
 - 2) Gaining ownership: Vietnam, Thailand

How to gain ownership

- Practical and theoretical hints could be drawn from in-depth case studies of aid relationship.
- Accumulation of in-depth case studies is expected to lead to a set of practical know-how for policy makers of developing countries. It also contributes to economic thought.

Lessons from the cases of Thailand

- Recipient should claim the legitimacy of ownership through showing:
 - a) Policy is base on a broad consensus
 - b) Policy is rational and logically consistent
- Recipient should show that donors have to pay big cost if they try to impose their views.

Part 2

The case of Thailand
in the 1980s:
Export promotion attempts

Two aspects of export capacity

- **Hardware:** well functioning physical infrastructure to streamline production and distribution
Case: Eastern Seaboard Development Plan
- **Software:** know-how and marketing and sales promotion in the international market
Case: The First White Paper on Thai-Japanese Economic Relations, 1985

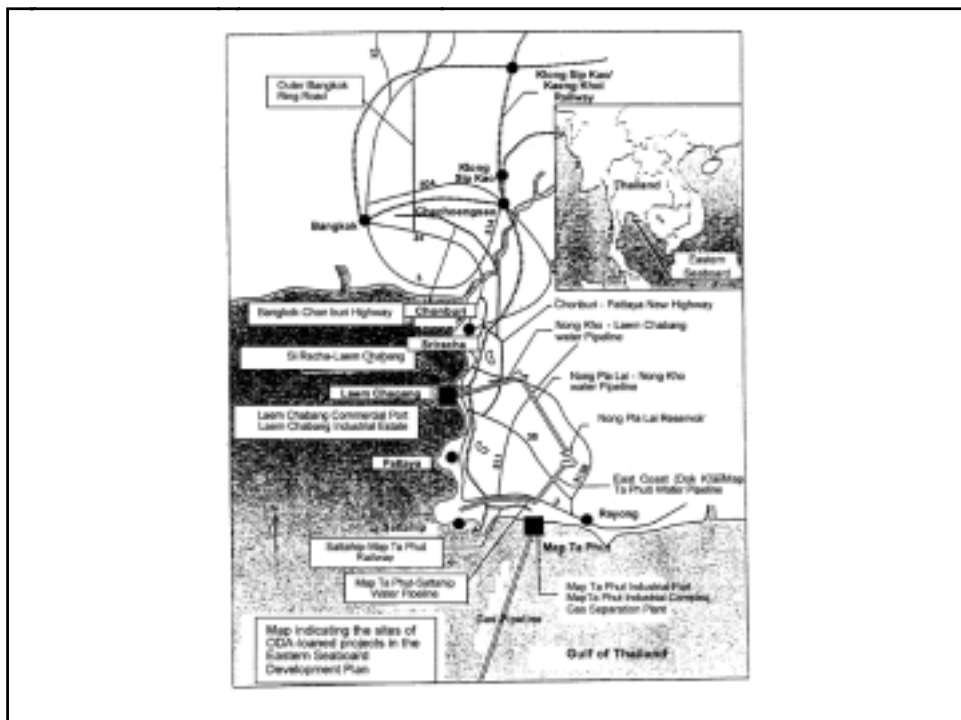
Eastern Seaboard Development Plan

- **Challenge 1**

- Grand scale and complicated nature**

- 1) Industrial complexes with deep sea ports in Laem Chabang and Map Ta Pud
- 2) Various utilities
- 3) Chemical fertilizer plant of NFC

Task 1: How to prevent serious corruption, which is common in big infrastructure projects



Eastern Seaboard Development Plan

- **Challenge 2**
Sharp differences of opinions: main program
- Critics: Concern over the heavy fiscal and debt burden (4% of national fixed capital investment)
(Economists in Thailand and the World Bank)
- Supporters: Vision of export-led growth with modern and high-standard infrastructure
(Development planners in Thailand and the government of Japan)

Eastern Seaboard Development Plan

- **Challenge 2 (continued)**
Sharp differences of opinions: fertilizer plant
- Critics: Concern over loss making
(Economists and bankers in Thailand)
- Supporters: self-sufficiency of fertilizer
(Development planners in Thailand, the World Bank, and the government of Japan)

Eastern Seaboard Development Plan

Challenge 2 (continued)

Task 2:

- How to attain concerted actions for effective execution despite split of opinions among the Thai leaders
- How to avoid conflict with the donors without losing ownership

Choice made by Thailand: Not in conformity with donors' recommendation

- **Main program: delay of the implementation, maintaining the basic structure of the plan**

World Bank: elimination of two ports

Japan: Implementation as scheduled

NFC fertilizer plant: *de facto* cancellation

World Bank and Japan: implementation as planned

How Thailand could carry out the opinion of its own?

- **Legitimacy of the choices**
 - 1) **Rational decision making**

Thorough examination of feasibility and macroeconomic impacts
 - 2) **Compromise between two contending forces**

Disputes between two contending forces
Prime Minister played supporters and critics against each other, as a balancer
 - 3) **Transparency and openness based on free press**

Whole process of scrutiny was fully covered by mass media

Achievements of the Eastern Seaboard Development Plan

- Export hub and the center of technology intensive industries:
14 industrial estates; 360,000 workers; 1300 factories; 516 auto related factories
- The plan did not cause any fiscal and debt problem, any notable conflict with donors, and any serious scandals
- NFC fertilizer plant could be loss making according to our ex-post simulation
- **Dividend to Thailand's ownership**

First White Paper on Thai-Japanese Economic Relations

- **Main policy agenda in Thailand in the mid 1980s**
 - 1) To recover economic growth
 - 2) To improve external balance
To transform the export structure
 - 3) To improve social stability
To accelerate rural development

Strong frustration in Thailand

- Widening trade deficit with Japan
- Delay in opening the Japanese market
Particularly the dispute on the import duty on boneless chicken
- Dominance of Japanese goods in Thailand
- **Anti-Japanese movement and demonstration**

Diagnosis made by the Thai leaders

The most urgent tasks:

- 1) To reduce widening trade deficit with Japan
- 2) To transform the pattern of Japan's direct investment from import substitution to export promotion

White Paper (June, 1985)

: Urging the Japanese government to promote better coordination between trade, direct investment, and aid, "utilizing the Japan's private sector"

Achievements

- **Japan's response**

Concerted actions to promote export-oriented direct investment and technology transfer to ASEAN, encouraging the Japanese private sector

Comprehensive Programme on Promoting Investment and Technical Transfer between Japan and ASEAN, August 1985

Sources of the achievements

- 1) Broad consensus in Thailand among public and private sector leaders
- 2) Joint action with other ASEAN nations
- 3) Various movements and demonstration against Japan