

TEXTILES & GARMENTS AND WOODEN FURNITURE

(SUMMARY)

SECOND YEAR FINAL REPORT

AUGUST 1989

JAPAN INTERNATIONAL COOPERATION AGENCY

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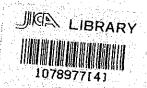
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A STUDY ON INDUSTRIAL SECTOR DEVELOPMENT IN THE KINGDOM OF THAILAND

TEXTILES & GARMENTS AND WOODEN FURNITURE

(SUMMARY)



20397

SECOND YEAR FINAL REPORT

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JAPAN INTERNATIONAL COOPERATION AGENCY



PREFACE

In response to a request from the Government of Thailand, the Government of Japan has decided to conduct a study on the development of industrial sectors in the Kingdom of Thailand and entrusted the study to Japan International Cooperation Agency (JICA).

JICA sent to Thailand a study team headed by Mr. Akira Inoue, Japan External Trade Organization, during the periods from November 1 to December 20, 1988 and from March 7 to March 26, 1989.

The team held discussions with the Government of Thailand officials concerned and conducted field surveys in the selected areas. After the team returned to Japan, further studies were made and the present report was prepared.

I hope that this report will serve for the development of the industrial sectors concerned and contribute to the promotion of friendly relations between our countries.

I wish to express my deep appreciation to the Government of Thailand officials concerned for the close cooperation which they extended to the team.

August 1989

Kensuke Yanagiya

President

Japan International Cooperation Agency

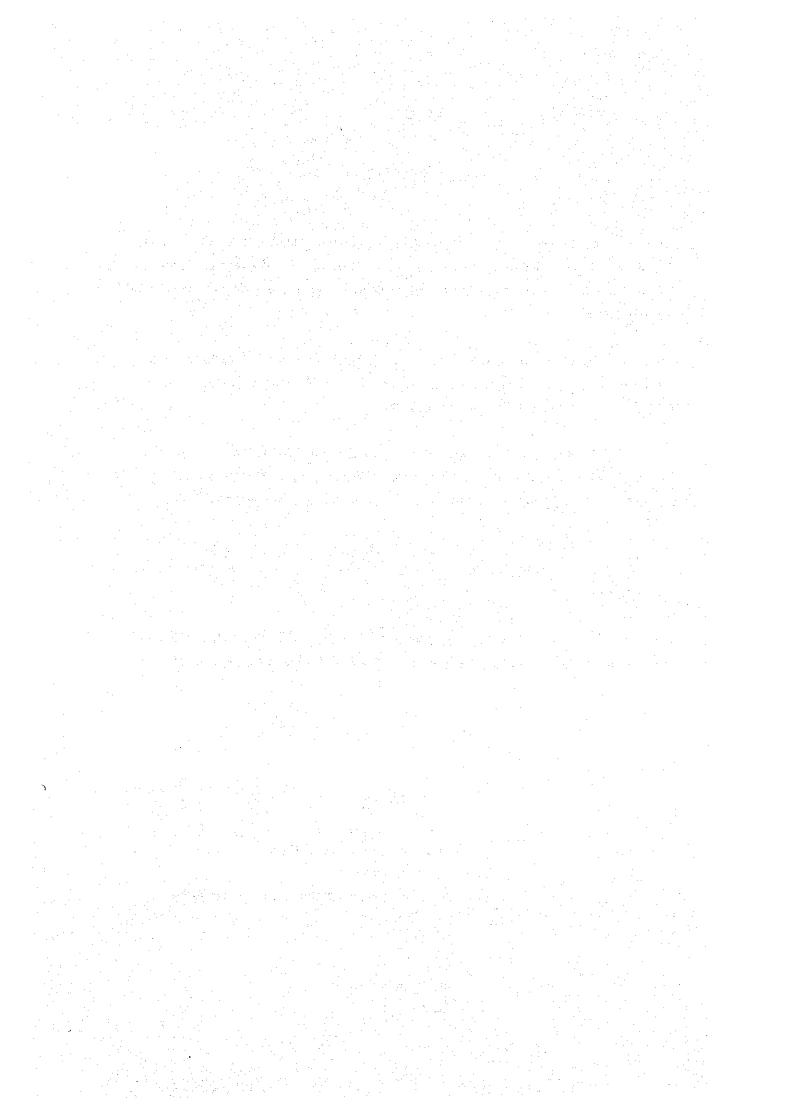
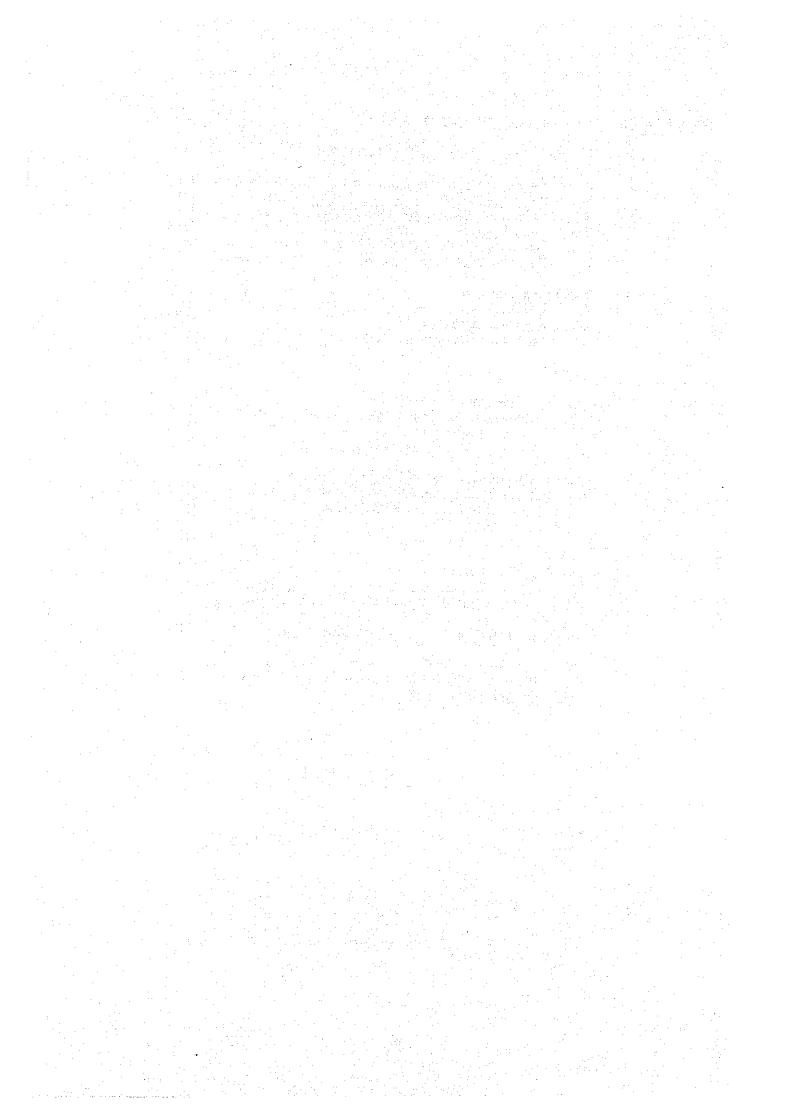


	TABLE OF CONTENTS
	사진 사용하는 경험을 하고 있습니다. 회원에 가장하는 경험에 되는 경험에 되었다. 사용하는 경험을 하는 사용하는 것이 되었습니다. 기계를 하는 것이 되었습니다.
INT	RODUCTION1
1. 2. 3.	Background, Objective and Method of Study
5.	Presentation of Draft Report18
CON	ICLUSION
1.	Summary of Main Problems
2.	Examination of Countermeasures 2-1. Textiles
3.	Comprehensive Program 3-1. Textile and Garment Industries
PART-I.	TEXTILE INDUSTRY
1:	Industry Outline
2.	Production Activities and Technology1-3
3.	Supporting Industries 3-1. Supply of Raw Materials
4.	MarketingI-7
5.	Corporate Operations 5-1. Process of Development of Companies
6.	Industrial Water Supplies and Industrial Effluent in the Textile Industry 6-1. Industrial Water Supplies
7.	State of Industries of Competing Countries 7-1. Textie Industry of Hong Kong I-15 7-2. Textile Industry of Taiwan I-15 7-3. Textile Industry of South Korea I-15

	7-4. Textile Industry of Indonesia	I-16 I-16
8.	Trends in Key Markets 8-1. The Japanese Textile Market	I-17 I-17
9.	Setting of Export Targets and Requirements for Achievement of Targets	I-18
10.	Policies and Regulations	
PART-II.	GARMENT INDUSTRY	
1.	Industry Outline	II-1
2.	Production Activities and Technology 2-1. State of Facilities	11-5
3.	Supporting Industries 3-1. Procurement of Materials	II-6 II-7
4.	Marketing	II-7
5.	Corporate Operations 5-1. Process of Development of Companies 5-2. State of Corporate Management 5-3. Problems and Countermeasures	II-8 II-9 II-10
6.	The Current State of the Industries of Competing Nations 6-1. The Apparel Industry in South Korea 6-2. The Apparel Industry in Taiwan 6-3. The Apparel Industry in Hong Kong 6-4. Textile Industry Policies in Asian NIEs and Japan	II-12 II-13
7.	Trends in Key Markets 7-1. Japanese Garment Market 7-2. U.S. Garment Market 7-3. West German Garment Market 7-4. U.K. Garment Market	II-14 II-15 II-16 II-17
8.	Setting of Export Targets and Requirements for Achievement of Targets	II-18
9.	Policies and Regulations 9-1. Outline of Textile Industry Policy Changes 9-2. Present Textile Industry Policies and Problems 9-3. Measures 9-4. A Comparison of the Development Phases of Textile Industries - A Study for Government Consideration -	11-20

PART-III. WOODEN FURNITURE INDUSTRY

1,	Gener	al Situation of the Thai Furniture Industry	III-1
2.	Produc	ction Activities and Technology	III-1
- T	2-1.	State of Facilities Technical Level and Quality	III-2
	2-2.	Technical Level and Quality	III-3
	$\bar{2}$ -3.	Product Costs	III-5
	2-4	Development of Human Resources	III-5
	2-5.	Problems and Countermeasures	III-6
3.	Suppo	rting Industries	
	3-1.	Raw Materials	III-7
	3-2.	Secondary Materials	III -8
	3-3.	Raw Materials Secondary Materials Processing Facilities and Parts	111-9
4.	Marke	맞지하다 하는 사람들은 사람들이 되는 것이 되었다.	1.00
5.	Corpo	rate Operations	
	5-1.	Corporate Development Process Corporate Operations	III-10
2	5-2.	Corporate Operations	III-10
	5-3.	Problems and Countermeasures	III-11
6.	Currer	nt State of Industries of Competing Nations	
	6-1.	Malaysia's Wooden Furniture Industry	III-12
	6-2.	Taiwan's Wooden Furniture Industry	111-12
	6-3.		III-13
	6-4.	Policies for Furniture Industry	III-13
7	Trends	s in Key Markets	
		Scale of the Furniture Market	III-14
		Evaluation of Thai Products and Problems Therein	
8.	Setting	g of Export Targets and Requirements for Achievement	III-15
9.	Policie	es and Regulations	: ::
100	9-1.	Policies for the Furniture Industry and Problems	III-16
		Dealing with Problems	



INTRODUCTION

Introduction

This is the Final Report for "A Study on Industrial Sector Development in the Kingdom of Thailand (Second Year)."

The Study was based on the "Scope of Work for the Study on Industrial Sector Development in the Kingdom of Thailand," signed on August 18, 1987 by the Government of the Kingdom of Thailand and the Japan International Cooperation Agency (JICA).

The Study was entrusted to the "Joint Venture for Study of Industrial Sector Development in the Kingdom of Thailand" organized by the Japan External Trade Organization (JETRO) and NKK Corporation, and was carried out from October 1988 to June 1989. The second year of study focused on two sectors and a total of three products, namely, the textile industry (including textiles and garments) and the wooden furniture industry.

A field survey in Thailand was carried out from November 1 to December 20, 1988, and a supplementary field survey from March 7 to 26, 1989. Interim reports were submitted to the Thai government in March and were accompanied by explanations and deliberations. Also during this time, a questionnaire survey was conducted in Japan, and studies on other nations were carried out through JETRO overseas offices.

The present Report consists of the following four parts and an appendix: the Conclusion (Comprehensive Program); I. Textiles; II. Garments; and III. Wooden Furniture. Parts I to III consist of an overview of present conditions, including the situation in other countries, and a pinpointing of problem areas. In the Conclusion, the comprehensive program is examined and recommendations made. In addition, results of third-country market surveys have been brought together in a separate English publication "Addendum."

The JETRO-NKK Joint Venture organized a Study Team consisting of the following members:

Akira INOUE

Team Leader

(Senior Economist and Director, Development Survey

Project Group, JETRO)

Sadao SHIMAZU Deputy/Economist/Industrial Promotion

(Deputy Director, Development Survey Project

Group, JETRO)

Kota NAGAI Deputy/Economist/Textile Industry

(Deputy Director, Development Survey Project

Group, JETRO)

Toshio KUROSAKI Economist/Furniture Industry

(Deputy Director, Development Survey Project

Group, JETRO)

Masahiro SHIMADA Economist/Export Promotion

(Development Survey Project Group, JETRO)

Toshio INOMATA Development Economist/Garment Industry

(Assistant Director, Development Survey Project

Group, JETRO)

Makoto NAMBARA Economist/Furniture Industry

(Development Survey Project Group, JETRO)

Osamu MIZUTANI Economist/Industrial Promotion (Survey in Japan)

(Assistant Director, Development Survey Project

Group, JETRO)

Eiichi ASANO Economist/Export Promotion (Survey in Japan)

(Deputy Director, Development Survey Project

Group, JETRO)

Shoichi SATO Deputy/Industrial Engineer/Management (Production

and Technology)

(Deputy General Manager, Maritime Development

Dept., NKK Corporation)

Hiroyuki TANAKA Economist/Management (Management and Finance)

(Manager, Maritime Development Dept.,

NKK Corporation)

Hiroshi NAKANO Industrial Engineer/Textile

(Management and Engineering Consultant)

Takaaki HAMASHIMA Industrial Engineer/Garment

(Director, Jasper Institute for Sewing Technology

Research)

Naoya SUGIYAMA Industrial Engineer/Wooden Furniture

(General Manager, Overseas Operations Division,

Tokai Furniture Co., Ltd.)

1. Background, Objective and Method of Study

1-1. Background and Perspective

After the first oil crisis, the world economy entered a period of low growth. Among the developing countries, the Asian NIEs and ASEAN nations managed to achieve economic growth rates higher than the world average. With the advent of the 1980s, however, the ASEAN nations were confronted with severe economic problems due to the plummeting prices of primary products and crude oil and the resulting drop in foreign currency earnings and increased debt.

During this time, Japan enjoyed a reduction in the value of its imports due to reduced fuel prices and an increase in exports because of its strong international competitiveness. The resulting surplus in its current account balance became the source of severe trade friction with the western nations. As a result, Japan was strongly pressed to change its industrial structure to one that would be in greater harmony with the world economy.

The ASEAN nations, meanwhile, found themselves in dire straits in the 1980s due to the changes in the international environment and embarked on a policy of promoting export industries to increase foreign currency earnings. With this in mind, they have been promoting local industry and actively encouraging foreign investment.

In addition, Japanese companies and other firms from the industrialized nations and Asian NIEs have been accelerating direct investment in developing countries, and the ASEAN nations in particular, to deal with the changes in their domestic industrial structures and the reorganization of the international division of labor. They have been transferring capital, technology, and know-how to the ASEAN nations and thus contributing to industrial development there. Japan in particular has been requested to participate in this process.

Since the 1970s, a horizontal division of labor has spread among Japan, the U.S. and the Asian NIEs, leading to a steady expansion of trade in manufactured goods. As the ASEAN nations join in full measure, a horizontal division of labor is being established throughout the entire Asia Pacific region. This will represent the most significant structural change in the world economy in this century.

In Thailand, one of the ASEAN nations, the focus of the economy is shifting from agriculture to manufacturing. Since 1984, manufacturing has taken over first place in terms of share of the GDP (gross domestic product) from agriculture, forestry, and

fisheries. This is an indication of the changes wrought in the economic structure by the industrialization program in effect since the 1960s.

That industrialization began with import substitution, primarily in the light industries, but it was gradually expanded to cover other fields as well. Starting in the early 1970s, the country also began to work towards export-oriented industrialization, but these efforts proved to be ineffective.

Since 1977, export-oriented industrialization has been promoted with an emphasis on fostering agro-based industries and the expansion of foreign investment. In 1983, further supplementary measures were taken, with export ratios being clearly specified for export promotion projects, controls relaxed on foreign equity participation, and so on. Recent Thai economic policies have focused both on greater economic efficiency and the expansion of exports. The current (sixth) 5-year plan (1986-91) stresses the increase of export revenues through diversification of agricultural products, and promotion of agroindustries and of export industries.

Government efforts have led to steadily rising exports. In particular, there has been striking growth in exports of such traditional products as rice, tapioca, and rubber as well as textile products, ICs, canned marine products, toys, and other industrial goods.

Starting from the second half of 1986, along with the appreciation of the yen and the hike in the value of the currencies of the Asian NIEs with respect to the dollar, there was an increasing trend among corporations in Japan and the NIEs to look towards the ASEAN countries for production bases for labor-intensive export products and the like. Thailand, in particular, offers political stability, incentives for export-oriented investment, and high-quality, reasonably-priced labor, and this has resulted in soaring direct investment by Japan, Taiwan, and other NIEs. Once the many newly-established companies begin operation, considerable growth may be expected in exports of industrial products.

In the fall of 1986, Japan's Ministry of International Trade and Industry proposed a program for the active assistance of other governments and companies in the Asian nations in four fields:

- (1) Improvement of infrastructure for export-type industries
- (2) Overall technological cooperation in nurturing strategic export industries (cooperation in manpower training and marketing)
- (3) Investment, etc., for nurturing strategic export industries
- (4) Advice concerning improvement of the tax systems, investment policies, etc., in developing countries.

In the past, Japan has cooperated in various ways to assist industrial development in the developing countries, but the current project aims for the preparation, proposal, and realization of a comprehensive program for the promotion of foreign currency generating industries in the Asian nations. In other words, its objective is to formulate, present, and realize a package for policy measures and cooperation in all related fields.

The present study assumes an emphasis on the market principle and is an attempt to identify specific possibilities for production and export.

Another assumption is an international perspective. In the 1980s, reflecting the high-tech evolution of industries in the advanced nations, there have been rapid changes in the structure of relative superiority in international trade. This, in turn, has been changing the structure of the international division of labor. The present project attempts to take this into consideration and analyze the possibility of exports within the current framework of international trade.

The Thai government and Ministry of Industry requested the cooperation of the Japanese government after receiving this proposal. The JICA sent a Scope of Work survey mission to Thailand in August 1987 to discuss the industries and products to be surveyed with the Thai government. A plan for the survey was drawn up and the first-year survey was begun in January 1988. The industries and products decided upon are as shown below.

Industries and Products to be Surveyed

	Industry	Products
1st year	Molds & Dies	Molds and dies (for plastics),
		Molds and dies (for presses)
	Toys	Plastic toys, metal toys
		Stuffed toys
2nd year	Textiles	Textiles
		Garments
	Wooden Furniture	Wooden furniture
3rd year	Processed Plastic Goods	Houseware
		Industrial goods
	Ceramics	Tableware
		Novelties

1-2. Objectives and Survey Items

The objective for the second year is to survey the textile (including textiles and garments) and wooden furniture industries and formulate a comprehensive program for development and export promotion.

In the formulation of the program, attention has been given to:

- [1] Selection of the most suitable and practical plans
- [2] Presentation of as much detail as possible on program objectives, content, costs, schedule, effects, etc.
- [3] Presentation of the program divided into short-, medium-, and long-term parts

Specific items to be surveyed by the study have been established as shown below based on the S/W (concluded August 18, 1987):

- (1) Summary of Selected Industries
 - a) Current state of production items, production, trade, and companies
 - b) Investment, technical tie-ups, financing, taxation, promotion of foreign investment
- (2) Current State of Selected Industries and Production Plants
 - a) Manufacturing processes and specifications
 - b) Technical level (quality control, etc.)
 - c) Product development (designs, etc.)
 - d) Corporate management (business management, fund-raising, etc.)
 - e) Sales strategies (market surveys, marketing, etc.)
 - f) Relation with peripheral industries (raw materials, equipment, etc.)
- (3) Survey on Export Markets by Product
 - a) Survey of supply and demand and imports in main importing countries
 - b) Marketability of products in main importing countries
- (4) Preparation of Comprehensive Program for Development of Selected Industries and Export Promotion
 - a) Institutions and government policies
 - b) Improvement of technology
 - c) Product development
 - d) Sales strategies
 - e) Business management
 - f) Manpower training

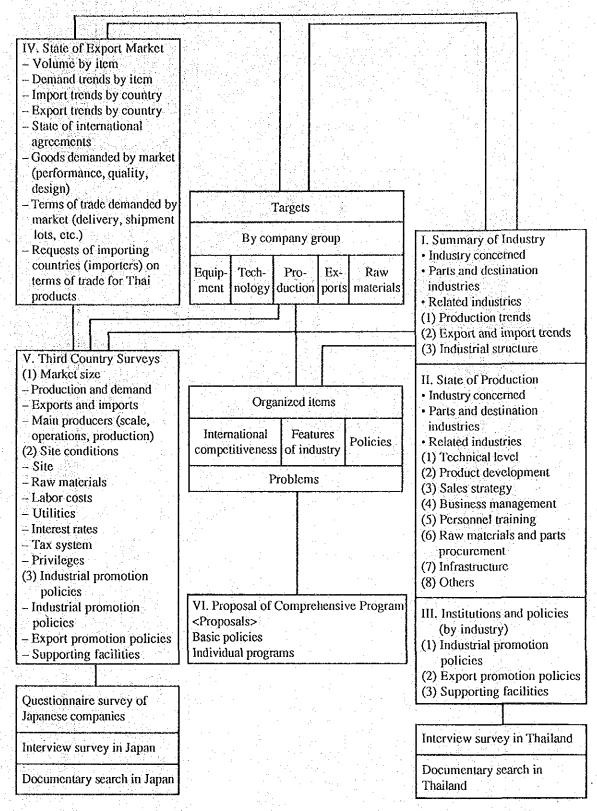
- g) Improvement of industry infrastructure
- (5) Finding Japanese Companies Desiring Joint Ventures and Technical Tie-ups in Thailand
 - a) Survey of companies with joint ventures or technical tie-ups
 - Preparation of list of companies desiring joint ventures or technical tie-ups

1-3. Methodology

The methodology of the study is as follows:

- (1) Advance Preparation in Japan
 - a) Collection and analysis of existing materials and statistics in Japan
 - Preparation of detailed plan for overseas field surveys and work in Japan
 - c) Preparation of inception report and survey schedule
 - d) Preparation of question forms
- (2) Field Surveys
 - a) Explanation of inception report and discussions on survey plans
 - b) Collection of information through interviews with related organizations and deliberations on same
 - c) Survey of related companies and factories and on-site surveys
 - d) Preparation and presentation of progress reports
 - e) Presentation of interim reports, deliberation on the program, and supplementary surveys
- (3) Third Country Surveys
 - a) Survey of third country markets
 - b) Survey of industries in competing countries
 - c) Survey of past industrial and export promotion policies
- (a), (b), and (c) were conducted through surveys of written materials and surveys commissioned through JETRO overseas offices.
 - (4) Survey in Japan
 - a) Summary and analysis of field survey results
 - b) Summary and analysis of third country survey results
 - Collection and analysis of interviews with related companies in Japan, on-site surveys, and questionnaire surveys
 - d) Overview of and deliberation on specific problems
 - e) Preparation of and deliberation on interim reports

Summary of Flow of Survey



Discussion with related organizations Grant aid (facilities, equipment, experts) Presentation of final report Dispatch of experts, training, seminars Adjustment of opinions on Supplementary survey Private investment, joint ventures, Collection of additional Tools of economic cooperation on feasibility of program Study of priorities of program Cooperation in export promotion Revision and supplementation Loans and two-step loans in Thailand information program especially Japan) Import promotion technical tiemps Formulation of comprehensive Packaging of countermeasures Study of countermeasures financing, abatement of taxes and tariffs, improvement of infrastructure, training of manpower, assistance in management Investment promotion, introduction of foreign capital, introduction of technology, export processing zones, low interest Fools of industrial policies and export promotion policies (examples of Japan and Asian nations) promotion and export promotion Analysis of current state and extraction of problem points Setting of targets for industrial Management, sales, exports Institutions and policies Level of production and Maintenance and strengthening of institutions Ancilliary industries investment and joint veture promotion, etc. Designs and brands Vocational skills Invitations to experts, training, seminars Raw materials Infrastructure Use and maintenance of facilities and technology Assistance in export promotion (export inspections, export insurance, marketing, etc.) Conception of program and technology (management and technicial guidance, provision of information, etc.) and policies equipment General promotional measures and sectorial promotional measures Industrial promotion policies of main competing countries Foreign investment promotion, industrial policies, Production and exports of main competing countries Supply and demand and imports of main markets Ancilliary industries and materials situation Current state of industries and companies Production, technology, design, Grasp of institutions and policies Main survey in Thailand trade and tariff policies Instructions for third country surveys Third country surveys Education and training management, sales Preparations for survey in Thailand Collection of information in Japan Preparatory survey in Japan Collection and organization of Infrastructure existing materials 10

Checkpoints at Each Stage of Development Survey

Preparation of comprehensive program and final report Of the above, (d), (e), and (f) were performed through discussions with group members and experts in the field.

2. Survey Schedule and Content

The schedule and content of the second-year survey are described below.

2-1. Advance Preparations in Japan

- Collection of materials and information
- Preparation of plans for third-country surveys and instructions (Survey of third country markets)

Garments

U.S./U.K./West Germany

Wooden furniture U.S./France

(Survey of competing countries)

Garments

Korea/Hong Kong

Wooden furniture

Korea/Malaysia

Deliberation on plans for field surveys

2-2. Outline of Field Surveys

2-2-1. Survey Outline

- [1] Survey period: November 1 - December 20, 1988
- Field office: Located in the FIDC (Furniture Industry Development Center) of the [2] ISI, under the DIP (Department of Industrial Promotion), Ministry of Industry
- Thai counterpart: DIP, Ministry of Industry [3] Staff from the Planning Division of the DIP, the ISI, and the TID (Textile Industry Division) participated in the survey.
- [4] Cooperating institution: Steering Committee Chaired by the head of the DIP, this committee consisted of representatives from Ministry of Industry-related departments, the NESDB (National Economic and Social Development Board), the Ministry of Commerce, the BOI (Board of Investment), and other related government agencies and departments and industry groups. In addition, related industry associations participated as observers.

[5] Survey Structure

The following groups were organized to conduct the survey.

(Textile group)

Nagai, Nakano

Miss Sireerat

(Mr. Suchart, Mrs. Suda)

(Garment group)

Inomata, Hamashima

Mr. Boonying

(Mr. Suchart, Mrs. Suda)

(Wooden furniture group)

Nambara, Sugiyama

Mr. Nantapit, Mr. Yawarit Mr. Chinnavorn, Mr. Thawee

Miss Suwicha

(Other)

Inoue (Team Leader)

Shimazu, Shimada (policy)

Sato (production and technology)

Tanaka (management and finance)

Mr. Wirat

Mrs. Suda

Suganuma (JICA expert)

In addition, secretaries were hired for work in the field office and an interpreter was used for assistance in conducting the interviews.

2-2-2. Daily Schedule of Field Survey

Nov. 1	Tokyo ->	Bangkok
		•

Nov. 2 Meetings with TID and FIDC

Courtesy call to embassy and JICA

Nov. 3 Explanation of inception report and meeting with DIP

Office opened and appointments made

Nov. 4 Appointments made and survey items discussed

Interviews begun

Nov. 7 On-site plant surveys and interviews begun

Nov. 11 Party held by Mr. Pisan, DG of the DIP

Nov. 16 Textile group meeting

Nov. 17 Furniture group meeting

Nov. 24 General meeting for the preparation of progress reports

Dec. 7 General meeting concerning the direction of the program

Dec. 8 - 10	Furniture group excursion to Chiang	Mai region in nor	thern Thailand
	(Nambara, Sugiyama, Sato)		
Dec. 12	General meeting concerning progress		
Dec. 16	Advance explanation of progress repo	orts to DIP directo	or and assistan
	Explanation of and deliberation on pr Committee	ogress reports in	he Steering
	Dinner party held by the survey group)	
Dec. 19	Courtesy call to embassy and JICA		
	Exchange of minutes and closing of the	he office	
Dec. 20	Bangkok -> Tokyo		
2-2-3. Num	ber of Field Interviews and On-	Site Plant Sur	veys
OFFI LANGUAGE			
(Factories)		in the many	0.5
[1]	Textiles (spinning, weaving, dyeing,		25
[2]	Garments (including fashion boutique		30
[3]	Wooden furniture (including plywood	d)	26
		Subtotal	81
(Other)		$(x_{i_1},\dots,x_{i_n})_{i_1}^{i_1} \cdots x_{i_n}^{i_n}$	
[1]	Government institutions and industry	associations	22
[2]	Schools and research institutes		7
[3]	Trading firms, department stores, reta	ailers, shipping	
	companies, etc.		8
		Subtotal	37
•		Total	118
	Paraga Tura da Libera	:	

2-3. Survey in Japan

- (1) Analysis of the results of field surveys and work in Japan
- (2) Interviews with related institutions and corporations in Japan
- (3) Analysis of third country survey results

(4) Collection and analysis of questionnaire surveys in Japan

(a) Posting of the questionnaire:

() A and desperometric.	<u> 15005</u>	TOT BOIL
	Nov. 16, 1988	212
	Nov. 17, 1988	283
	Nov. 18, 1988	117
	Total	612
W o	oden furniture-related firms	500
Tex	tile/apparel-related firms:	112
(b) Collection of the questionnair		
 Wooden furniture-related firms: 	No. of ordinary respons	ses: 99
	No. of responses by tele	ephone
	follow-up	68
	T	otal 167
	(Respon	se rate: 33.4%)
	No. returned because of	incorrect

Date

Textile/apparel-related firms:

(Corrected response rate: 33.9%)
No. of ordinary responses: 33
No. of responses by telephone
follow-up 15

Total 48

address

(Response rate: 42.8%)

No. sent

- (5) Preparation of and deliberation on program proposals
- (6) Preparation of interim reports

3. Supplementary Field Survey and Deliberation on Interim Report and Program

(1) Survey period: March 7 - 26, 1989 (including days spent in transit)

(2) Survey members: Inoue, Nagai, Inomata, Nambara (all present from March 7 to 26), Shimada (March 12 - 26), Tanaka (March 12 - 26), Sato (March 17 - 26), and garment expert Kawauchi (March 8

- 26)

(3) No. of interviews

18 (DIP, NESDB, MOI, MOC, etc.) Government agencies Industry associations 5 (TGMA, UTMAU, TFIA, etc.) 30

10

Corporations

53:

Textile Garment 17

Furniture (incl. parts)

(4) Program-related discussions

Of the above interviews, the following ten consisted primarily of discussion concerning program development.

Mar. 9	NESDB (Mr. Panithan et al.)	Inoue, Nagai, Suganuma
Mar. 10	TGMA (Mr. Suchart)	Inoue, Inomata
Mar. 13	DEP (Mr. Songchai)	Inoue, Nagai
Mar. 14	FIDC (Mr. Nanthapit et al.)	Inoue, Nambara, Shimada, Tanaka
Mar. 15	TID (Ms. Prani et al.)	Inoue, Nagai
Mar. 16	DIP-Planning (Mr. Swat)	Inoue, Nagai, Suganuma
Mar. 17	UTMA	Inoue, Nagai
Mar. 20	IEPD (MOI Mrs. Orapin)	Inoue, Nagai, Shimada, Suganuma
Mar. 20	DIP (Mr. Padetpei et al.)	Inoue, Nagai, Shimada, Suganuma
Mar. 20	TFIA	Sato, Nambara

(5) Steering Committee

At the meeting of the Steering Committee held on March 24, the interim reports were explained and discussed.

Persons present:

All survey members (with the exception of Inomata)

JICA Advisory Group

Nakamura (director)

Seki (from MITI)

Nishiwaki

Observers:

Sumiyoshi (assistant director, JETRO Bangkok)

Kohata and Suganuma (DIP experts)

Thai members present at the meeting are listed separately.

Following is the abbreviated minutes of the meeting.

- (a) Opening greeting by the chairman
- (b) Greeting by the survey director

(c) Presentation of interim reports

Textiles (Nagai)

Garments (Tanaka)

Institutions and government policy (Shimada)

Wooden furniture (Nambara)

Program (Inoue)

- (d) Question-and-answer session and deliberations
- (e) Summary and closing remarks by the chairman

Thai Members Present at the Steering Committee Meeting

Date: March 24, 1989 ISD 2nd Year Interim Report Place: Taratip 4, Tara Hotel, Bangkok, Thailand

Name	Title	Name of Firm/Organization
Mr. Manu Leopairote Chairman	Deputy Director-General	Department of Industrial Promotion (DIP)
Mr. Pairot Somapoomi	Director	Planning Division, Board of Investment (BOI)
Mr. Pimpapaan Chansilpa	Representative of the Director	Planning Division, Department of Export Promotion (DEP)
Mrs. Orapin Weerawut	Director	Industrial Economic & Planning Division, MOI
Mrs. Kasama Anantavorasakul	Representative of Mr. Thamnu Vasinonda (Director)	Thailand Management Development and Productivity Center, DIP
Mr. Damri Sukhotanang	Director	The Metal-Working and Machinery Industries Development Institute (MIDI), DIP
Mr. Suchart Chantaranakaraj	Representative	The Federation of Thai Industries (FTI)
Mr. Padetpai Meekun-iam Secretary	Director	Planning Division, DIP
Mr. Charoon Unsuwan Asst. Secretary	Director	Industrial Development Center

DIP Staff

Mr. Somsak Kuptakanchanakul	Director	Industrial Service Division
Miss Prani Obhasanond	Director	Textile Industry Division (TID)
Mr. Suchart Intarachote		OIT
Mr. Nuntapit Nakasarn		FIDC Industrial Service Division
Mrs. Lalita Kitkrailard		GIT
Mr. Suwat Siwasaranond		Planning Division
Miss Nantaya Yanumet		TID
Mr. Virat Amornlertwit		Planning Division
Mr. Boonying Phumpiem		TTD
Miss Sireerat Charuchinda		TID
Mr. Thawee Kaewmanee		FIDC
Miss Supawan Satwvatorn		Planning Division

4. Survey in Japan

- Analysis and summary of survey results
- Analysis and summary of third country survey results
- Deliberations with related institutions concerning establishment of a comprehensive program
- Final summary of the comprehensive program
- Preparation of the final report (draft)

During the survey in Japan in April 1989, two staff members from counterpart organizations in Thailand, Mr. Thawee (ISI) and Miss Sirrerat (TID), joined in the work and discussion of the program.

5. Presentation of Draft Report

(1) Survey period: July 2-11, 1989 (including days spent in transit)

(2) Survey members: Inoue, Shimazu, Nagai, Kurosaki, Sato, Tanaka,

Todoroki (JICA) and Seki (MITI)

(3) Presentation meetings:

Monday, July 4,14:00-17:00

Informal presentation on Wooden Furniture (at TID)

- Chaired by Mr. Somsak, Director of ISI, it was attended by approximately 30 people including the all members of the survey team, approximately 10 people related to the industry and people connected with ISI.

Tuesday, July 5,14:00-18:00

Informal presentation on Textiles and Garments (at TID)

- Chaired by Miss Prani, Director of TID, it was attended by approximately 50 people including all members of the survey team, approximately 25 people related to the industry and people connected with TID.

Wednesday, July 6,14:00-18:00

Formal presentation at the steering committee (at Tara Hotel)

- Chaired by Mr. Pisal, Director-General of DIP, it was attended by approximately 50 people including all members of the survey team, members of the steering committee, and representatives of the Thailand office of JICA and the Bangkok office of JETRO.

(4) Important comments made at the meetings

- Equipment of official service agencies (such as TID for textiles, FIDC for wooden furniture) has become so outdated that they cannot meet the industries' needs.
- High import duties on textile machinery, components and dyestuffs impede the
 development of the industry. The necessity of reducing the tariff rates should be
 stressed (for the textile industry).
 - As stated in the report, we replied that although their negative effects on the export competitiveness of textile products cannot be denied, we believe the issue

should be considered from a wider viewpoint, taking overall industrial and financial policy into account.

- Similarly, the current business tax (levied on transactions) has become a heavy burden on the industry (the textile industry).
 - The report has made no mention of the issue in view of the fact that a switchover from the business tax to the value added tax system has already been decided upon and has only to be implemented.
- Cooperation is hoped for in efforts to promote exports to Japan (from the wooden furniture industry)
 - We suggested utilization of an assistance scheme of the Department of Export Promotion (DEP) of the Ministry of Commerce (also supported by Japan).
- We propose that the government and private industry cooperate in setting up a new training institution for nurturing a skilled labor force (the garment industry).
 - Although the report proposes utilization of existing organs, we commented that the establishment of a new institution with the cooperation of the private industry is worth considering.
- The industrial policy of Thailand, though learning from the "Korean type" or "Taiwanese type," will follow a course that is slightly different from either of them. (DIP, Planning Division)

CONCLUSION

CONCLUSION

1. Summary of Main Problems

1-1. Conversion from Import Substitution to Export Orientation

Thailand's manufacturing industries are a mix of coexisting export oriented industries, which have been undergoing rapid growth in the 1980s, and import substitution type industries, which have gradually developed since the 1960s. For the Thai industrial structure as a whole to switch over to an export orientation, it will be necessary to cut away the controls and protection remaining for the import substitution type industries and to proceed with liberalization of industries and allowance of free reign to the market mechanism.

It has been observed in overseas countries and areas that the promotion of manufacturing industries has been carried out by beginning with the aim of import substitution and gradually developing export oriented industry. Taiwan and South Korea in particular have been enjoying great success since the late 1950s and 1963 respectively, drawing attention from around the world by converting their industries to export-oriented businesses, something which has been cited by many economists.

To develop an import substitution industry, measures have to be taken to encourage and restrict investments on the one hand and on the other to limit imports through restrictions, high tariffs or exchange control and thus protect domestic industry. This means that it is necessary to protect the industries at home from competition with low-priced imports and to attain a production level counterbalanced with the domestic demand. Therefore, at this stage, government policies for the promotion of industries should be focused on "restriction" and "protection" rather than on "encouragement."

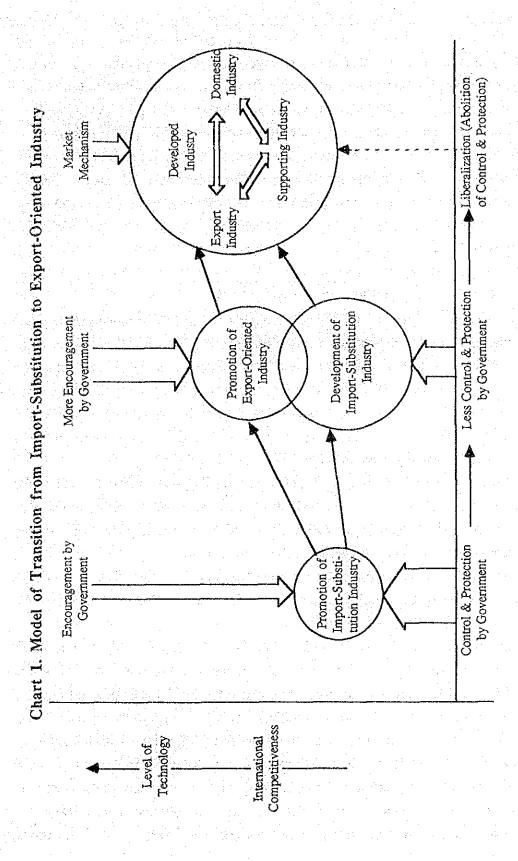
Generally speaking, import substitution industrialization starts with consumer goods. This is primarily because domestic demand for consumer goods exists there and secondly the production of raw materials and capital goods causes difficulties in terms of capital and technology. However, as the consumer goods import substitution industrialization advances, there will arise demand for raw materials and capital goods and obstacles regarding capital and technology will gradually be removed. This will give rise to a movement to switch from imports to domestic production. What causes this to materialize is secondary import substitution industrialization.

In the process of development toward export-oriented industry, the government is, in general, requested to strengthen encouragement for investment or to ease restrictions on investment. In other words, acceleration and liberalization of investment are required. At the same time, it is also necessary to alleviate import restrictions and high tariff policies or to advance "trade liberalization". By so doing, the industry is allowed to adapt to the market through free competition and it becomes possible to develop the international competitiveness necessary to join the world market. In a word, it is imperative that the government change its focus from restriction and protection to encouragement.

Converting industries from the import substitution type to the export oriented type is painful and can leave a trail of victims. For example, if equipment control is lifted, excessive production will be generated in the industry concerned, competition will intensify and sometimes excessive competition might even occur. If the import tariff on products is reduced, cheap imported goods will flow in and price competition with domestic products will heat up. This will create another problem in that the reduction of tariffs and the resulting reduction in the nation's revenue must be compensated for by some other means.

The change from import substitution industry to export industry signifies the liberalization of the various activities of industry and the introduction of the market mechanism. With this done, it is possible for the industry to become competitive internationally and to achieve success in the world market.

Established industries of the import substitution type have already accumulated some profits. To them it is foreseeable that the change in the type of industry, especially trade liberalization, will bring growing pains and even casualties. Accordingly, the industrial world often tends to defer the innovation it needs. However, the industrial and trade policies of Japan, Taiwan and South Korea have all historically proved that the sooner and the more boldly the change starts, the less painful it is and the fewer casualties are produced and the better the effects on the development of industry as a whole. Conversely, the greater the delay in conversion and liberalization, the greater the later pain and sacrifices. This is primarily because the existing profits of the import substitution type industries will be cut away or lost entirely.



In Thailand, there is insufficient linkage between the spinning, weaving, dyeing, and other textile industries, which grew as important substitution type industries starting in the 1960s, and the garment industry, which grew rapidly as an export oriented industry starting in the 1980s. The garment industry is relying on imported materials more and more. To strengthen this linkage, it will be necessary to proceed with liberalization of the textile sector and use of the market mechanism and to expand the midstream sectors of weaving, dyeing, etc., promote "converter" businesses, and stimulate an exchange of information among the concerned sectors.

Between two related or inter-dependent industrial fields, it often happens that one of them has completed the conversion to export orientation, while the other remains at the import substitution stage or a stage where it still cannot deal with the needs of an export oriented industry. In the case of the consumer goods industries, some industries have established "comparative superiority" in the world market by converting themselves to export-oriented types. However, their suppliers of raw materials, in many cases, have not reached the same level and remain in a state of "comparative inferiority."

In this case, the consumer goods industries have to depend a great deal on imports for their raw materials if they are to maintain their international competitiveness as domestic raw materials do not meet the standards for quality, variety and price. If they insist on using the domestic raw materials of "comparative inferiority," they stand a good chance of losing their competitive power. This situation can ultimately result in a distinct lack of the linkage between consumer goods industries and their domestic suppliers that should be established from the onset.

Industrialization of the nation should hopefully be developed by securing, as much as possible, a balance among all industrial fields concerned. For this end, as a certain industry develops its export capacity, it is required that related fields be guided to reach a level where they can deal with its needs or they too should be encouraged to change over to an export orientation. If this is achieved, those industries which have already developed into export industries can deepen their relations with their associated industries. They can also develop a consistent production from raw materials to consumer goods which will add more value to the products as a whole and secure "comparative superiority" in the world market, strengthening their international competitive power. For these purposes,

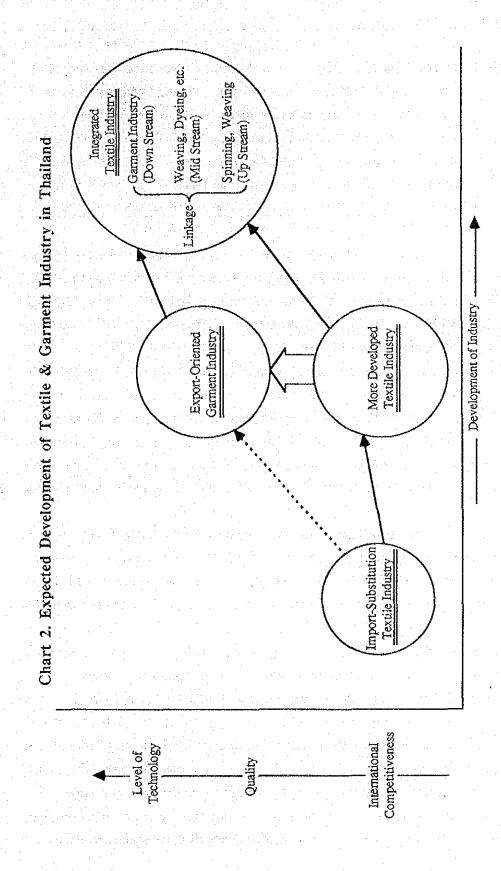
the government is required, in its role in relation to industry, to switch over to policies of encouragement rather than restriction and protection and at the same time go ahead with the liberalization of economic activities and full use of the market mechanism..

Applying the above-mentioned points to the development process of the Thai textile industry, the following areas will be discussed.

- (1) The textile sector (yarn, fabrics, dyeing, etc.) has been developing since the 1960s as an import substitution industry. At present, it still largely maintains the characteristics of such an industry with government enforced equipment controls and high tariffs on yarn, fabrics and so on. Here, the market mechanism linking the industry with the world market has not come into play yet.
- (2) Accordingly, the yarn and fabrics industries have not reached "comparative superiority" except for some of their products. Neither have they fully converted themselves into export industries or supplied sufficient raw materials to the domestic export industries (garment industry).
- (3) Due in part to the very low level of domestic demand for garments as consumer goods, there was almost no development of a garment industry even as an import substitution type. In the 1970s, a garment industry was finally established, but this was divided into two areas, one of which was to meet domestic demand and one which was aimed from the start at exports.
- (4) In the latter half of the 1980s, the garment export industry attained a rapid growth as a result of fluctuating wages and floating exchange rates in Asian countries. Its exports have been increasing rapidly as well.
- (5) However, as we have observed in the above, the textile sector is limited in its ability to supply raw materials to this industry because of problems in terms of quality, variety and price. Therefore the garment industry is becoming increasingly dependent on imported materials.
- (6) Consequently, linkage between the textile and garment industries, in particular the supply relationship of textile materials to the garment sector, has not been fully established.
- (7) Though the textile sector is improving its equipment and facilities with government permission, their major products are standard ones for the domestic market. It is the majority opinion that there has not been that much progress made in the point of supply of materials needed by the garment sector.
- (8) In order to develop linkage between the textile and garment sectors, the enterprises involved with specified fabrics, dyeing, printing, finishing and other midstream sectors should be equipped with functions and capabilities to meet the demand

for garment materials. It is also necessary to develop "converters" which plan and develop materials and control the processing between the two. In today's Thailand, however, those functions and capabilities are not fully developed.

In order to further develop the garment industry as an export industry, it is desirable that the link with the textile industry be strengthened. To attain this, it is considered necessary to take steps toward liberalization and utilization of the market mechanism in the textile industry. It is also vital that there be a greater exchange of information between the two industries and that the functions and capabilities be improved (for example, by strengthening the dyeing sector and foster converters). This should invigorate the textile industry, helping it to develop into an export industry and become internationally competitive.



To achieve a switchover of existing import substitution type industries to export orientations and to develop the linkage which inherently should exist between the various industrial sectors, i.e., the correlation and relationships of mutual dependence, it is considered effective, and necessary, to adopt sectorial industrial policies, i.e., to devise comprehensive, limited time frame incentives and preferential measures for specific sectors, apart from the BOI investment incentives.

Today, many industries in Thailand are achieving the changeover from import substitution to exports. However, the degree of changeover in each industry and the pace of change naturally differ from one to the other and the gap between some is immense. Because of such differences, linkage between industries of the same kind or between closely related industries has not developed.

The BOI investment incentives have, particularly recently, played a great role in promoting export-related industrial development. Yet it cannot be said that they have played a sufficient role in helping to convert industries from import substitution to exports. This is because the investment incentives have, in designating "promoted industries", been applied to new investment projects of enterprises after stringent case-by-case examination. Their effects have not necessarily been felt by the industrial sector as a whole.

Nor have they played a sufficient role in deepening the linkage between the new export industries and the existing import substitution industries. On the contrary, in some cases, BIO investments have either broadened the gaps between the export industries who have been aided by them and other industries or even weakened the links between the two.

For the industrial development of the nation as a whole, it is important for each industry to make progress by strengthening linkage with its peripheral industries so that it can upgrade the level of the entire industry and enhance its added value as a whole.

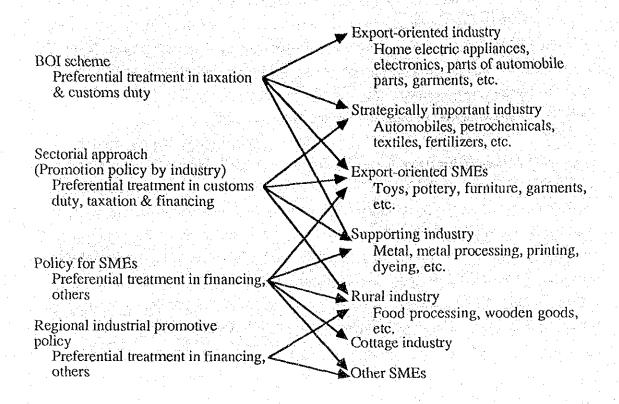
To this end, political measures are required to promote the development of less developed industries and sectors, on the premise that liberalization and utilization of the market mechanism for the entire industry should be taken into consideration. This is one of the significant aspects of the "sector approach.", discussed in the first year report.

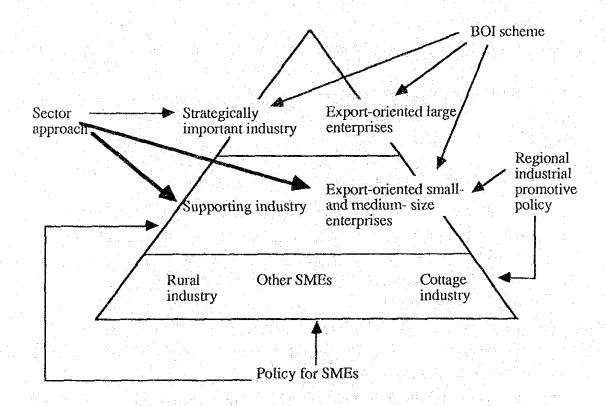
In other words, there is a need for industrial policies by sector to strengthen linkage between the rapidly growing export industries under BOI investment management

and their peripheral relevant industries, making it possible to obtain a balanced development throughout entire industries. It is necessary to develop comprehensive policies for vitalizing encouragement for BOI investments, modernizing existing industries and strengthening their competitive power. These policies must be enforced in the sectors concerned including medium and small-scale enterprises. The basic direction should be toward encouragement, not restriction and protection, with the ultimate aim of liberalization and the introduction of the market mechanism.

As for the textile industry, which was included in the latest survey, here too it is necessary to apply industrial policies by sector to promote changeover from import substitution to exports. At the same time, in order to strengthen the linkage between the textile industry and the garment industry, it is necessary to prepare industrial policies, by sector, to develop the mid-stream sectors which includes special fabrics, knitting, dyeing, printing and finishing. Additionally, another policy should promote the development of converters which control the planning, developing and processing of the products in the sector. Further, a brisk exchange of information among the textile, garment, and peripheral industries would be a precondition to stronger linkage.

Chart 3. Industrial Policies in Thailand (4 types of approach)





strengthening associations exemption, tax reduction, institutional finance strengthening and utilization of TID (Training, seminar, etc.) Tools or methods of Program investment promotion (BOI) Information network export promotion (DEP) tariff reduction or industrial estate - model factory improvement of production process modernization of equipment more effective function for linkage specialization, variation Direction of Promotion upgrading of technology specialization, variation expansion of capacities expansion of capacities variation of products upgrading of quality marketing, design Garment Manufacturing Weaving, Knitting Stream of Production Spinning (in expansion) Converter Dyeing, Printing

Chart 4. Basic Elements of the Program for the Textile and Garment Industry

For the development of export-oriented manufacturing industries using domestic resources, the supply of domestic resources to the export oriented industries in a manner linked with supply and demand on the world market and the market mechanism, that is, at least under the same conditions as with rival exporting countries, is essential. Therefore, the government should take responsibility and move its resource policies in that direction.

Making effective use of domestic resources, existing or produced, in the manufacturing industry, means that the results from industrialization can affect the natural resources industries (the primary industries) such as agriculture, forestry, fisheries, mining, etc. and result in higher added value for the entire economy and more employment.

On the other hand, natural resources, which are very significant for the nation's economy, are limited (for example fuel, timber, etc.) and therefore, the government, in many cases, controls their production or imposes stringent restrictions. In such cases, sales are carried out with national and political considerations rather than under free competition based on the market mechanism.

If, however, export industries are to use domestic resources, it is not possible to ignore supply conditions and prices of the same resources in foreign countries. That is, it is essential to supply resources to domestic export-oriented industries in a manner linked with supply and demand of the resources on the global market, i.e., the market mechanism.

For an export industry, it is important to be able to freely obtain the highest quality raw materials at a low price. Without this, the industry cannot maintain its competitiveness or develop in the midst of the free competition on the world market. Accordingly, the government, which controls, restricts and protects domestic resources, should be responsible for their supply in compliance with the international levels of quality and price.

Thailand has been blessed with natural resources and there is plenty of scope to link them with rapidly developing export industries. To this end, it is recommended that supply be secured in line with the world market, by ensuring conservation and a stable supply of resources. It is considered imperative for export industries to obtain raw

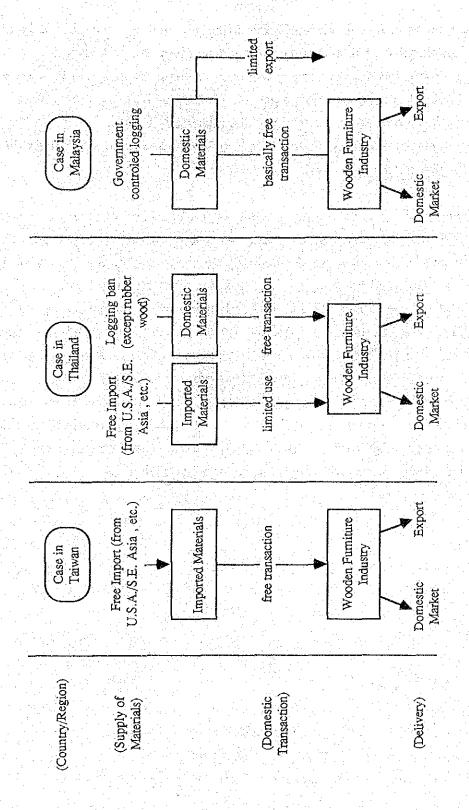
materials under the same conditions as their competitors and government policies should be developed in this direction.

Cotton is produced and supplied using the market mechanism, in general. However, taking into account that presently the supply of cotton is dependent mostly on imports and future increases in demand will result from the expansion of the textile sector, there is enough room to expand its production. To realize this, the profitability and stability of the cotton cultivation business should be raised without hindering the market by, for example, consolidating cotton storage functions in production and distribution. It is desirable that cultivation be made more attractive to the cultivators.

The wooden furniture industry in Thailand began by utilizing domestic wood resources. Today, however, the lumber resources at home, except for the use of rubber materials, have almost dried up. Accordingly, in order to maintain or develop it as an export industry, conditions must be created whereby the manufacturers of wooden furniture will be able to obtain foreign logs and lumber freely and on a constant basis.

To achieve this, it is required that imported logs and lumber be allowed to circulate freely in the domestic market which should work in line with the international market. Rubber materials, which are currently under government control, will also have to be allowed to circulate under the market mechanism. Furthermore, it is necessary to minimize, as much as possible, the differences in the purchasing conditions for logs and lumber for large-scale furniture makers and small and medium-scale enterprises by introducing "cooperative purchasing" and "cooperative sawing" etc.

Chart 5. Comparison of Wooden Furniture Industries



Designs and brands often play an important role in raising the added value in the garment, wooden furniture, and other consumer goods industries. For the labor-intensive consumer goods industry to cope with the challenge posed by the rise of lower wage countries and maintain its position as an export industry, it is important to raise the levels of quality, performance, ideas, and processing and to build up one's own design development abilities and brands.

The significance of design in industry has been pointed out frequently. Especially in the field of high-grade consumer goods used in daily life (garments, furniture, ceramics and so forth), design often plays a decisive role in commercial success.

Like design, brand also plays an important role in industry. A brand is a name which identifies a commodity and thus it is naturally linked with the product's quality and performance. But in the field of high-grade consumer goods, it has a closer connection with design.

The best example of the link between the two and industrial activities is observed in the Paris fashion business. As the traditional center of fashion, Paris has given birth to many world famous designers such as Chanel, Christian Dior, Pierre Cardin, Yves Saint Laurent and so forth. These names are used, as they are, as the brand name of fashion-related commodities (garments, leather, jewelry, cosmetics, etc.) which are sold in markets all over the world.

The design and brand arouse the interest of consumers, raise the image of commodities and could be factors in enhancing the added value of the commodity. The added value is produced by the quality, performance, degree of processing and the producer's concept, but as for high-grade consumer goods, the design and brand play more significant roles.

Though the garment and wooden furniture industries in Thailand are rapidly growing as export industries, the designs of their commodities are more or less supplied by their customers as are the brand names. Original designs by the makers are limited and original brands are even fewer. This is quite natural as these types of industries were introduced to Thailand from abroad for the purpose of transferring production bases.

However, the design and color sense of the Thai people are highly regarded. In the jewelry sector, some designers are already known in the world market. It is said that promising young designers in the textile industry are beginning to grow as well. The Thai exporting industries are destined to compete with new rival industries such as Indonesia, China, India, Pakistan and so on. A key weapon for Thai industry in such a battle could be higher added value as a result of more refined designs and brand images as well as more advanced technology and higher quality.

Especially in the garment industry, the role of design and brand are paramount in enhancing the added value and strengthening competitiveness. With the higher selling prices which have resulted from improved quality and processing degrees, the role of design and brand will become even more significant.

In Japan, the importance of design and brand in the textile and garment industries has been greatly recognized since the late 1970s. In "the new textile vision" determined by the Ministry of International Trade and Industry (MITI) in 1983, a direction to develop the textile and garment industries as a "fashion industry" was introduced and concrete promotion measures for it were also developed. It was around that time that JETRO held a large-scale apparel fair in New York.

Among the other Asian countries, Hong Kong and Singapore have made particular efforts to promote their fashion industries since the mid-1980s. Their major activities in this area have included holding fashion shows and contests and participating in overseas trade fairs with the assistance of their trade promotion organizations. Due to the fruitful results of those activities, they have produced designers and brands which are highly regarded in the world market today.

The role of design and brand image in the textile and wooden furniture industries is not small. Although textiles are not finished consumer goods, their design is still an important factor when they are used as materials for garments and interior goods. In wooden furniture, the role of design is enormous, to say nothing of the roles of its functionability, quality and degree of processing. The more refined the furniture, the more immense the role played by the brand.

It is an important factor for each exporting industry of consumer goods in Thailand to improve its design capabilities and to develop brand images based on them in order to compete with low-wage countries. To this end, it is not enough to foster designers and promote design development. To be effective, the contact areas between the design field and industry must be widened by consolidating design education, giving opportunities to designers to be active, and disseminating design information at the government and industry level. Before this, consumer goods industries should, it is important, be made aware of the importance of design and brand.

Sales under Original Brand Production by Original Design Chart 6. Possible Development Process of Garment Manufacturers Production by Original Design Original Brand Sales under Production by Buyer's Design Sales under Buyer's Brand Original Brand by Original Design Sales under Production Production by Buyer's Design Sales under Buyer's Brand À \geq Production by Original Design Production by Buyer's Design Sales under Buyer's Brand Sales under Buyer's Brand Production by Buyer's Design

C-17

1-6. Sectorial Industrial Policies and the Role of Related Government Agencies and Industrial Organizations

In formulating and implementing sectorial industrial policies for the promotion of specific industrial fields, the sections and officials in charge of those sectors should be clearly designated in the government agencies in charge of those industrial fields, the relevant information concentrated there, and as much power be given to them as possible, so that they may take on the role as the centers of formation and implementation of the policies. Further, industrial organizations belonging to said sectors must maintain close contact with the sections and officials in charge and play a positive role in shaping the opinions of the industrial world.

Industrial policies by sector are designed to promote development in specified industries. In Japan, South Korea and Taiwan, "basic industries", "strategic industries" or "specified exporting industries" were often selected in the process of industrial development and supported by preferential treatment in the areas of finance, taxation or customs and by special conditions for the supply of raw materials and energy. The same measures have been employed in many cases of specified fields in the small and medium-sized businesses. There have been some cases of failure with these measures but there have been more cases of success.

One of the important premises for the sector approach is that a series of promotional measures must be taken for the specified industry for a certain limited period. This is because the key industries in every country are always changing as a result of the stage of development of the country's overall economy. Furthermore, it is considered that greater effects will be produced if a series of promotion measures are applied in a concentrated manner for a particular period.

Regarding the formulating and enforcement of industrial policies by sector, it is necessary to create a section in charge at the government office concerned. The officers of the section take responsibility for determining the policies and adapting them by constantly being aware of the current situation and problems.

To fulfill their duties, the section and officers should always have contact with industrial bodies, experts, key persons, etc., and work out promotion measures and tackle implementation. They should also keep in contact and exchange views with related government organizations (especially the Ministry of Commerce or the Ministry of

Finance). Officers should also be required to have basic knowledge of various fields and to learn how to devise plans regarding finance, taxation, customs and so on. On the other hand, the upper sector in the ministry should make efforts to let the officers, to whom they grant power as much as possible, collect relevant information.

In the case of Japan, some sections, by industry or by commodity, are created within MITI. Their services are summarized as follows:

- 1) Drafting of plans, regulations and administrative measures regarding the production, circulation, sales and trade of the industries and businesses concerned (or commodities concerned).
- 2) Development and promotion of the technology regarding the industries and businesses concerned
 - 3) Establishment of industrial standards.
 - 4) Promotion of trade
 - 5) Fulfillment of international agreements.
 - 6) Approval of acts of the industrial bodies concerned
 - 7) Establishment and management of inspection systems

Corresponding to the institutions and functions of the government, the private sector concerned should also play a certain role in the decisions concerning and embodiment of industrial policies by sector. In doing this, the industrial organizations or associations should represent themselves to communicate, exchange opinions and negotiate with the government section and its officers.

The industrial organizations consist of legally established ones and informal ones, some of which aim at economic or political purposes but some of which are only for socializing.

In either case, however, when the government extends its assistance to the development of a specified industry in compliance with an industrial policy by sector, there will also arise significant roles and responsibilities for industrial organizations which belong to the industry.

Looking at the cases of Japan, the Republic of Korea and Taiwan, it would have been impossible, it is said, to enforce their industrial policies without the help of the respective industrial organizations.

The role played by industrial associations in the decisions regarding and embodiment of the industrial policies by sector are as follows:

1) Gathering information and opinions from the member enterprises and coordination among these enterprises.

- 2) The exchange of information and opinions with the government offices in charge and coordination with the offices.
- 3) Dissemination and public relations activities concerning information necessary to their enterprises.
- 4) Communication and exchange of information and opinions with relevant government organizations, industrial associations and foreign industrial bodies, etc.
 - 5) Planning and execution of necessary actions the associations may have to take.

DEP (Ministry of Commerce) Finance Institution Ministry of Finance Foreign Enterprise IQ Chart 7. Roles of the Section and Staff for Specific Industrial Sector Policy Training Institution Private Company Training Program for Technicians and Managers Preferential Measures for Tariffs and Taxes Promotion of Foreign Investment Strengthening Export Promotion Active Use of System Finance Information Service Association of Specific Industry Public Service Institution Section (& Staff) in charge of Specific Industry Ministry of Industry (DIP)

C-21

When a public organization provides services to private companies in the field of industrial activities, frequent use is made of the principle of having the beneficiaries bear the costs of the services according to their ability to pay. This enables the public organization to secure independent fiscal resources and replace equipment or strengthen its staff freely at its own discretion. This in turn leads to greater activity of the organization and enables it to shift to to a semigovernment "third sector" or to profit making through a shift to independent accounting not requiring official subsidies.

In a free economy, industrial activities basically depend on private industry. However, there are many cases in overseas countries, where, due to industrial promotion or other reasons, public organizations render services for private enterprise.

Service activities rendered by public organizations, although differing between countries, are in general as follows:

- * Education and training of engineers, skilled labor, managers and so on.
- * Research development, technology development, experimental production.
- * Establishment of standards and criteria.
- * Inspection of the quality and performance of products, approval and certification of inspection results.
 - * Collection and presentation of information and data.
 - * Offers of public funds.
- * Granting permits and approvals and carrying out surveillance of how the law is enforced

Generally speaking, at an early stage of industrialization, public organizations are established with government funds and services are rendered either free of charge or at a low cost. The focus of the services is concentrated on education and training in the field of technology.

In the developing stage, due to the addition of various services for industrial promotion, the scope of the services expands to include, for example, setting standards and criteria, inspecting materials and goods, collecting and offering information, etc. At this stage, in addition to government funds, private funds are often collected in the form of membership fees, inspection fees and rental fees, for the purpose of extending

services. Collecting appropriate fees from the beneficiaries for public services is regarded as "the benefit principle" and it is adopted in many countries.

At almost the same stage, organizations are often established on the initiative of private industry for the purpose of the common benefit of the members. In some cases, public funds assist these organizations, but whatever the case, service organizations operate as "independent accounting units" and perform their services autonomously.

In Japan, many of the public organizations collect self-supporting funds such as membership fees, inspection fees, rental fees and so on, which are then spent for the expansion of equipment and facilities or the improvement of the services. There are also many cases where private initiative launches public service corporations which offer services to the public.

The public organizations under the Thai Ministry of Industry are maintained and operated by government funds in almost all cases even today. Therefore, it is not easy for them to replace or modernize their equipment or expand their staffs to meet with the growth of industry. For this reason, in more than a few cases, the public service organizations can no longer meet the needs of the industrial world with their services.

Even assuming that the public organizations make their users bear part of their expenses, those payments in general are counted as government revenue and not used directly for the expenses of the public service organizations themselves. Therefore, the public organizations currently have no interest in increasing their revenues.

The public services in industry should be improved and expanded along with industrial development. To realize this, it is often necessary to expand and renew equipment and facilities and to increase the number of staff, which is not managed, in many cases, by public funds only.

In this case, if private enterprises are assumed to share some of the benefits of the requested funds, it would be effective to adopt the self-paying principle. This is because public organizations themselves try to obtain independent funds by rendering good services and strive to improve their equipment and facilities and staff. In short, the self-paying principle is often effective for the vitalization of public organizations.

It is also possible for public organizations, as government organizations established by government funds or with overseas assistance, to introduce step-by-step the principle of having the beneficiaries of their services bear their expenses along with the development of the industries covered by their services, the accompanying rise in the ability of the beneficiaries to pay, and the need for expanded services. In this regard, it would be possible to select any one of the following measures"

1) Convert the government organizations themselves to "attached organizations" or "independent organizations",

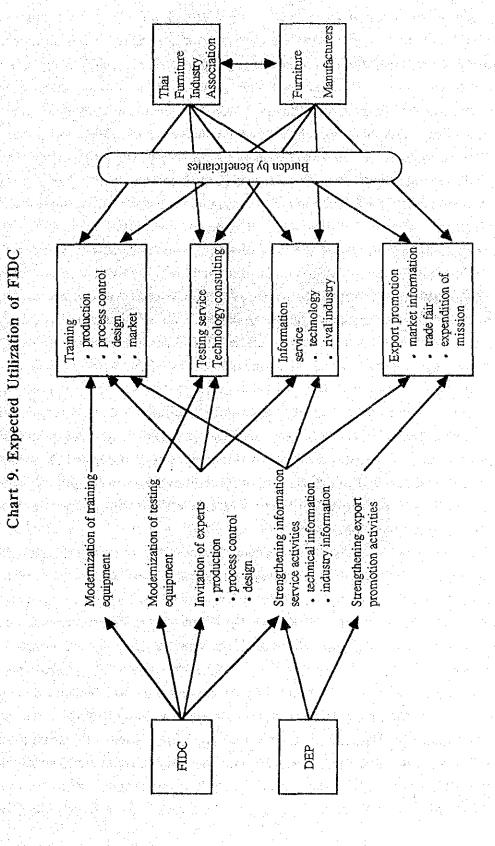
- 2) Convert the government organizations to "semipublic organizations" and then to "private organizations",
- 3) Create "user organizations" outside of the government organizations and have funds pooled there and expended as necessary, and
- 4) Have industrial organizations function as the above-mentioned "user organizations".

Inspection fees/ training fees/ informaton service fees/ user's member fees/ income from publications Chart 8-1. A Model of the Development of Public Service Institutions Burdens of Private Beneficiaries Government Budget

C-25

Inspection fees/training fees/information service fees/user's member fees/income from publications Chart 8-2. A Model of the Development of Public Service Institutions - Case B. Burdens of Private Beneficiaries Government Budget

C-26



C-27