ODA in Flying Geese Pattern: Thailand's Experience

Main idea:

The paper studies the role of Official Development Assistance (ODA) as a tool to promote the regional Flying Geese Pattern formation with particular emphasis on the bilateral economic relations between Japan and Thailand.

Part I: Flying Geese Pattern: Japan for Asia and Asia for Japan

- Flying Geese Pattern of Economic Development: a discussion
- Japan in Wild-Geese Flying
- Asian Economy under Japanese Leadership: benign or malign guidance?

The first part of the paper applies the Flying Geese (FG) model to Asian economic development pattern analysis. Effective interaction between government and private business is the key of FG model development. International economic exchange, based mainly on trade and direct investment, create the hierarchical linkage between countries of different industrial levels. When applied to Japanese case, the paper found an outstanding role of Official Development Assistance (ODA) as supporting tool used by government to further promote regional hierarchical of production centering on Japanese capital and technology. This harmonized work of private sector's trade, investment and government's ODA contributes to the Asian FG pattern relationship. From another viewpoint of host country, with superior technology and abundant capital, Japan can easily dominate the dependent relationship. To avoid such case, Asian countries must learn to make the most of the flows in order to be independent from foreign dominance and step up to another stage of economic development on its own. This requires a joint-force of host country government and private sector in that country.

Part II: Thailand and Japan: Partners for Growth

- Thailand in the International Economy: entering the Flying Geese group
- Thai Path of Development: from Agriculture towards Industrialization
- Japan as Major Development Partner
- Japan: and All Time Major Investor
- Japan as a Trade Partner

The second part focuses on Japanese-Thai politico-economic relation in the context of FG framework. Japan has been Thailand's most important economic partner since 1970s. Thailand clearly benefits from Japanese FG-style economic flows which shifted Thai industrial structure from agricultural base into industrial base in a quite impressively short time.

Influenced by FG pattern, Japan has special interest in Asia and increases her economic power over times. ODA has been smartly used by Japanese government to open the gate to enter to each country in the region, including Thailand. Working in harmony, ODA flow led by Japanese government has prepared the necessary infrastructure to later welcome commercial flows from private sectors. Much of infrastructure investment in Thailand is financed by Japanese Yen Loan. It may not be exaggerate to say that Japanese ODA has firmly prepared a strong base for economic development in Thailand. Thai industrial production development pattern seems to be similar to what stated in the FG model: moving from import to domestic production and export. With highly praised success based on beautiful record and impressive export, Thailand became one of rising star of Asia in early 1990s.

The Eastern Seaboard Project (ESB) is one of project financed by Yen Loan. Furthermore, Japanese investment consistently flows in to the area. As a result, the ESB becomes the country’s most advanced industrial base in which large parts of Thai exports have been originated. Thus, ESB case supports the claim about significance of Japanese ODA and FDI over the developing countries’ industrial upgrading process. However, with a closer look, economic success is only an illusion. Thai astonishing export success is actually made up of equally high intermediate goods imports, particularly those from Japan. High volume of bilateral trade with Japan is dominated by overwhelming imports, putting a strain on Thai balance sheet. The division of labor created by Japanese investment network is in fact inducing Thailand to be dependent on Japan both in terms of capital and technology. As such, FDI which was expected to help accelerate the industrial shift has turned to be a negative impact on strengthening and developing process of Thai domestic industry.

In contrast to the FG argument, Thailand’s proceeding from domestic production to export stage is not internal-based and thus can cause external over-dependence and industrial development is questionable in a long run. Despite the export-promotion policy and increasing exports value, shift from domestic production toward export stage along FG-line is not benefit to Thailand. In other words, the FG development can occur only when domestic industry is established with self-dependent production.