Chapter 6

Chapter6 Thailand

6.1 Trade sector assistance from Japan

This chapter reviews Japan's major aid to the Thai trade sector. Trade sector aid has taken several forms including direct aid to trade promotion, a variety of types of cooperation such as investment promotion, promotion of small and medium-sized enterprises (SMEs) and supporting industry, and industry development.

6.1.1 Trade sector assistance provided by JICA

Table 6.1 shows JICA's major project-based aid to the Thai trade sector since fiscal year 1980. As a JICA's aid to Thai trade sector, Thai Trade Learning Center Project was the main object of this evaluation and was undertaken from 1983 to 1987 fiscal (or to 1988 fiscal including follow-up) started. After that, JICA' aid stopped and was not provided to this sector during the 1990s. Later, capacity building in developing countries became globally important in order to comply with WTO rules, and the WTO Capacity Building Cooperation Program was implemented from fiscal years 2001 to 2004.

For further industrial development, JICA provided aid to the fields of industrial promotion and SME/supporting industry development in 1980s and 1990s when Thailand had heavily fostered export-oriented industries. As to the industrial promotion, technical cooperation programs in the fields of industrial standardization and software were implemented in the late 1980s and in the mid-1990s. At the same time, from 1989 to1994, the Industrial Sector Growth and Development Plan, which was consulted by a consortium of JETRO and private companies, was conducted based on the new-aid plan presented by the Japanese government in 1987. In the late 1990s, technical cooperation programs relevant to the productivity growth and the industrial property right were enforced.

As to the promotion of SME/supporting industry, JICA has dispatched experts to provide technical and financial aid to SMEs since the early 1980s. From 1986 to 1991, the technical cooperation program for the development of metal processing and mechanical industry started. Since the mid-1990s, several projects for the promotion of SME/supporting industry have been conducted by JICA. Regarding aid for the supporting industry, the Industrial Sector Growth and Development Project (supporting industry) was carried out in 1994 and 1995. The project was very valuable because it defined a direction for the future promotion of not only supporting industry but also SME. Based on the project, several measures and policies have been implemented as "SME promotion cooperation program" until today. The program includes nine assignments (guidance of whole administration, improvement of production process, technical innovation/equipment replacement, fosterage of artisan, promotion of SME/supporting industry, product/market development, decentralization of labor-intensive industry, investment promotion of foreign high-tech industry, and

prevention of pollution). The aid with several schemes, such as the dispatch of experts and senior-volunteers, the feasibility studies, the technical cooperation programs, and the training in a third country, has been conducted for the seven assignments except for technical innovation/equipment replacement and fosterage of artisan.

Table 6.2 shows the results of acceptances of JICA's trainees in the trade/investment, small and medium enterprise sectors. JICA's trainee acceptance leads to foster development of capacity-building of officers in the Thai government and its affiliated-agencies. The Thai trade sector has the highest trainee acceptance rate though it varies by each sector of trade, investment, exports, small and medium enterprise according to the period. During the 1980s, the number of acceptances in trade sector was at its highest rate , with a record six trainees being accepted in a year . A variety of Thai government agencies dispatched officials from such departments as the Department of Export Promotion, Department of Foreign Trade, the Ministry of Industry, and so on, and in fiscal year 1985, during the implementation term of the Trade Learning Center Project, two trainees from the center were accepted.

Table 6-1 JICA's most important assistance programs in trade / direct investment, the fostering of SMEs and supporting industries, and industrial development (the project name and the year)

1.Trade

Project Name	Types of Schemes	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Trade Training Center	Technical Cooperation Project																										
Trade Training Center (Follow-up)	Technical Cooperation Project																										
Capacity Building Program on the Implementation of the WTO Agreements	Development Study																										

2. Promotion of SMEs and Supporting Industry

Project Name	Types of Schemes	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Metal Processing and Machine Industry Development	Technical Cooperation Project																										
Improvement of mold technology																											
North Celamic Center	Technical Cooperation Project																										
SMEs Promotion Support	Short-term Dispatch of Experts																										
SMEs management consulting	Short-term Dispatch of Experts																										
Institution-building of SMEs management consulting	Short-term Dispatch of Experts																										
Development of Consulting Service for Thai SMEs Cluster and Regional Development	Development Study																										
Promotion and Development of industry sector (Supporting Industry)	Development Study																										

3.Industrial Promotion

Project Name	Types of Schemes	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Industrial Standardization Test Training Center	Technical Cooperation Project																										
Industrial Standardization Test Training Center (Aftercare study team)	Short-term Dispatch of Experts																										
National Computer and Software Training Center	Technical Cooperation Project																										
Increase of Productivity	Technical Cooperation Project																										
Industrial Property Information Center	Technical Cooperation Project																										
Promotion and Development of industry sector	Development Study																										
Industrial Standards and Testing and measurement System Development Study	Development Study																										
Industrial Standardization Test Training Center	Development Study																										
Thai National measurement standard institution	Technical Cooperation Project																										

Note: The project formerly known as the "Technical Assistance in Project Form" is now called "Technical Assistance Project".

Source: This Table was created with data from the Ministry of International and Trade Industries (MITI) "The Status and Issues of Economic Cooperation" each fiscal year. and the Ministry of Foreign Affairs (MOFA) "Official Development Assistance (ODA White Paper)" each fiscal year, and JICA and Institute for International Cooperation "Approaches for Systematic Planning of Development Projects –Trade and Investment Promotion" in 2003. Also, regarding technology cooperation projects (former Project Formed-Technology Cooperation) and development researches, data from MITI and MOFA lacks detailed results. In these parts, only the data from JICA and Institute for International Cooperation are used.

Table 6-2 Historical number of of JICA's trainees from Thailand in trade / direct investment, and SMEs development

(number of trainees)

	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	80～05 total
SMEs	1	2	1	1	1	2	2	1	1	2	1	2	1	0	0	0	0	1	0	1	1	1	0	1	2	0	25
Investment	0	0	0	0	0	0	0	3	2	1	2	1	1	2	2	3	2	2	4	3	3	3	0	2	1	2	39
Export	0	2	2	2	2	0	0	2	1	0	1	1	1	1	0	1	0	1	4	2	2	1	2	0	2	0	30
Trade	6	3	3	3	3	6	3	3	2	1	4	2	3	0	1	0	0	2	10	2	0	3	2	6	2	4	74
Total	7	7	6	6	6	8	5	9	6	4	8	6	6	3	3	4	2	6	18	8	6	8	4	9	7	6	168

Source: Data from JICA

6.1.2 Assistance from Japan in trade expansion

In addition to JICA's technological cooperation, Japan's cooperation in the trade sector includes technical cooperation by the Japan External Trade Organization (JETRO), the Japan Overseas Development Corporation (JODC), and the Association for Overseas Technical Scholarship (AOTS) as well as a yen-loan project by the Japan Bank for International Cooperation (JBIC), which supports infrastructure development as a basic condition of trade and investment[47]. These efforts are reviewed in the following sections.

(1) JETRO

Table 6.3 gives an overview of JETRO's cooperation with Thailand. JETRO is a Japanese organization originally aiming at promoting trade in Japan, but due to economic globalization JETRO provides aid to promote and strengthen industrial infrastructure and improve export capacity for Asian countries where a number of Japanese companies set up operations. One project of note undertaken by JICA is the Industry Development and Promotion Plan Study from 1987 to 1990, which was mentioned above. In this study, acting as a consultant JETRO formed a consortium and collaborated with private sector entities in the conduct of development research.

[47] In addition to this, Japanese government agencies related to trade/investment promotion includes international financing (export banking, foreign investment finance. These aids were conducted by JBIC and trade and investment undertakings by Nippon Export and Investment Insurance (NEXI). JICA・ Institute for International Cooperation, 2003

Table 6-3 JETRO's records in assistance of Malaysian trade and industrial development

Participation in JICA's Industrial Promotion Development Study	JETRO organized JV with private companies for studies on Asian export promotion based on the New Aid Plan in 1987 and participated in JICA's development study as a consultant. JETRO conducted studies on mold, toy, textile, furniture, pottery, plastic product in Thailand from 1980 to 1990.
Trade and Industry Promotion Center Project in Developing Countries (AC Project : Asian Cooperation Project, 1982～2000)	↓ Promotion of local small and medium enterprises - Development of local small and medium enterprises - Spreading appropriate technology of small and medium enterprises - System Standard Technology Information Cooperation Project ↓ Development of Product Export Project - Instruction for Product Improvement - Instruction for Trade Promotion
Training of Trade Promotion Organizations' staff (1988～2002)	JETRO invited middle-management executives in Thai trade promotion organization and implemented training in Japan. JETRO accepted trainees in 1988, 1990 from Thailand.
Supporting developing countries' local industrial basis project (1996～)	Implementation of support for automobile and devices, electric and electronic product and devices sector ↓ Instruction for development of local industries - Dispatch of experts to strengthen basis of industrial activities - Dispatch of technical guidance experts - Support for training of industrial trainers ↓ Promotion of local industrial exchanges - Promotion of industrial exchanges - Holding wide-area industrial exchanges events
Strengthening developing countries' supporting industries project (SI Project: Supporting Industry, 1994～)	JETRO's assistance includes studies on situation of supporting industry, dispatch of experts, acceptance of trainees for development of supporting industry. In Thailand, JETRO's assistance includes studies, dispatch of experts and acceptance of trainees in such sector as casting and mold, press working, aluminum die-casting, precision machining.

Source: JETRO (2000) "Forty year footprint of JETRO"

(2) JODC and AOTS

Table 6.4 and 6.5 list the record of JODC's professional dispatch programs and AOTS's training programs.

JODC sends Japanese technical experts to, either Japanese companies or non-Japanese local companies in developing countries, and supports these companies in efforts to improve the productivity, product quality, management, and so on. Experts are dispatched to a wide range of manufacturing industries from textiles electronics, and automobiles, to chemical industries and in recent years they have been dispatched to the service sector as well. From 1979 to 2004, 1023 experts in total have been dispatched to Thailand by JODC for long and medium terms. . The number of the experts dispatched to Thailand is second only to Indonesia among the four ASEAN countries which were included in this evaluation.

AOTS aims at promoting international economic cooperation in order to enhance mutual economic development and friendly relationships between developing countries and Japan through training programs for industrial engineers in these countries. From 1980 to 2004, over 14000 Thai have been trained. This number includes those that participated in training programs in Japan and as well as those who were trained by instructors dispatched overseas, is the largest among the four ASEAN countries.

Table 6-4 JODC's TA professionals sent to Thailand

Year	1979～1988 total	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1979～2004 total
Long-term Experts (number of experts)	60	17	13	21	25	26	34	27	24	54	27	61	22	23	71	25	21	551
Short-term Experts (number of experts)	62	4	7	8	7	13	8	2	12	7	91	61	43	76	4	51	16	472
Total	122	21	20	29	32	39	42	29	36	61	118	122	65	99	75	76	37	1,023

Note: Short term is within one year. Long term is longer than one year and shorter than two years. The figure is the number of professionals newly dispatched every year.

Source: JODC

Table 6-5 The Number of participating AOTS Trainees from Thailand

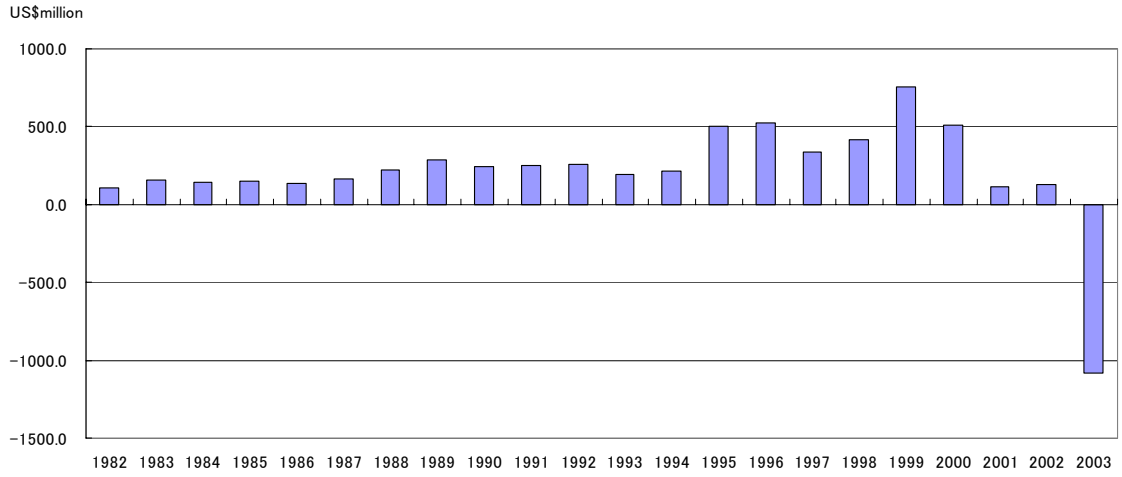
Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1980-2004 Total
Acceptance of Trainees (number of trainees)	123	131	131	144	169	212	207	300	377	470	487	458	440	476	541	533	669	700	420	478	582	517	464	544	741	10,314
Overseas training (number of trainees)	0	0	0	0	0	0	120	44	130	156	102	191	72	109	206	236	245	159	277	243	193	124	243	412	770	4,032
Total	123	131	131	144	169	212	327	344	507	626	589	649	512	585	747	769	914	859	697	721	775	641	707	956	1,511	14,346

Source: AOTS

(3) JBIC

In addition to direct trade assistance, Japan had actively provided yen loans geared toward the development of economic infrastructure, which is essential for Thailand to promote its trade, investment and industry. Table 6.1 shows the shift in the amount provided in yen loans (net outgoing amount) since 1980. These loans include those directed toward social service cooperation such as medical care and agricultural cooperation, but most of the loans are made to assist in the development of essential infrastructure for economic activities such as electronic, roads, railways, gulf coast, and sewerage systems. The yen loan has fulfilled a vital role for economic infrastructure in Thailand. In the mid-1980s, Japan contributed to industrialization of Thailand by yen loans toward the development of eastern coastal-industrial regions such as the maintenance of Laem Chabang Port and the construction of industrial complexes. Also, Japan had provided finance business (two-step loan) to SMEs through the Industrial Finance Corporation of Thailand (IFCT). In fiscal year 2004, for the first time, the amount of yen-loan- financed went negative due to the redemption of past loan and the decrease of the new loans in recognition of Thailand's strong economic growth.

Figure 6-1 Annual net outgoing amount of yen loans to Thailand



Note: Calendar year, DAC counts, netting disbursement and repayment

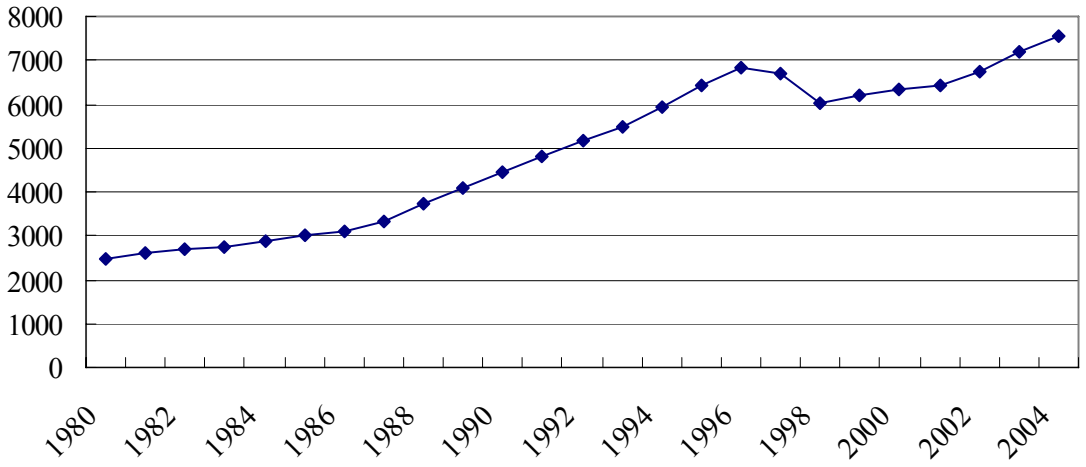
Source: MOFA "ODA data book" each year

6.2 Economic development, trade, and direct investment

6.2.1 Economic Development

At the beginning of the 1980s, GDP per capita in Thailand based on Purchasing Power Parity (PPP) was at the 2000 dollar level. During the 1980s and 1990s, Thailand had continuous economic growth. While GDP per capita declined as a result of Asian currency crisis in 1997, it recovered at the dawn of the century and has now shifted back onto a growth path. From 1980s to 1990, growth was especially significant with GDP per capita reaching a level of more than 6000 dollars.

Figure 6-2 Thai per capita GDP（PPP, Constant 2000 international $ ）



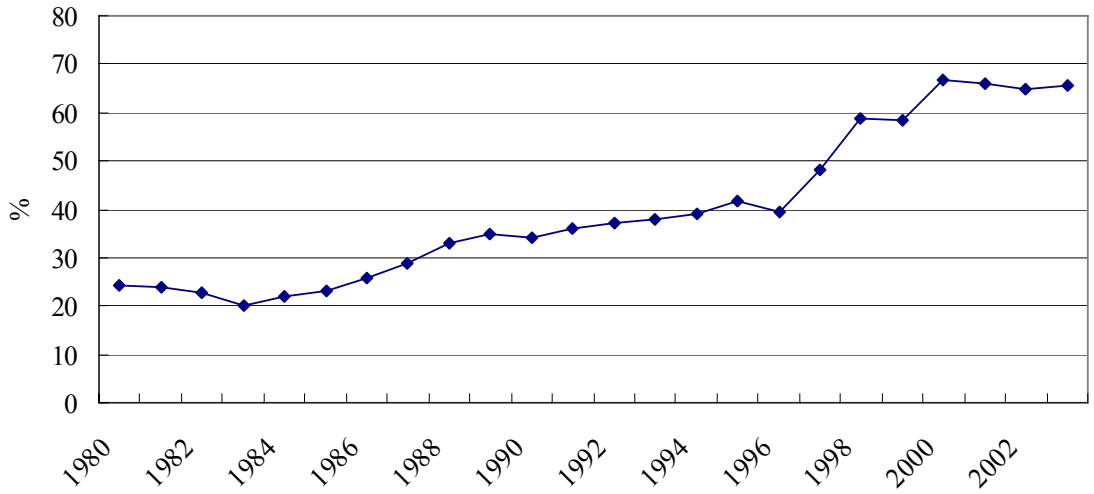
Source: World Bank, World Development Indicators

6.2.2 Trade and direct investment

（1） Trade (export)

Figure 6.3 shows the shift in the ratio of commodity and service exports to GDP in Thailand. The ratio of exports to GDP was only 20%, but from the end of 1980s to the 1990s the ratio increased and in the middle of the 1990s reached more than 50% . From the end of 1990s to the early 21st century, the ratio increased further to 70%. From the 1960s to the 1970s, Thailand promoted a domestic-demand-led economic policy, and exports were mainly primary products such as rice, tapioca, rubber, sugar, and tin. From the 1970s to 1980, the primary product market was sluggish so the policy for export oriented industrialization promotion became important. The remarkable growth in the ratio of exports to GDP during the past twenty five years is a testament to the success of the Thai government's development policy and the further economic growth led by manufacture exports.

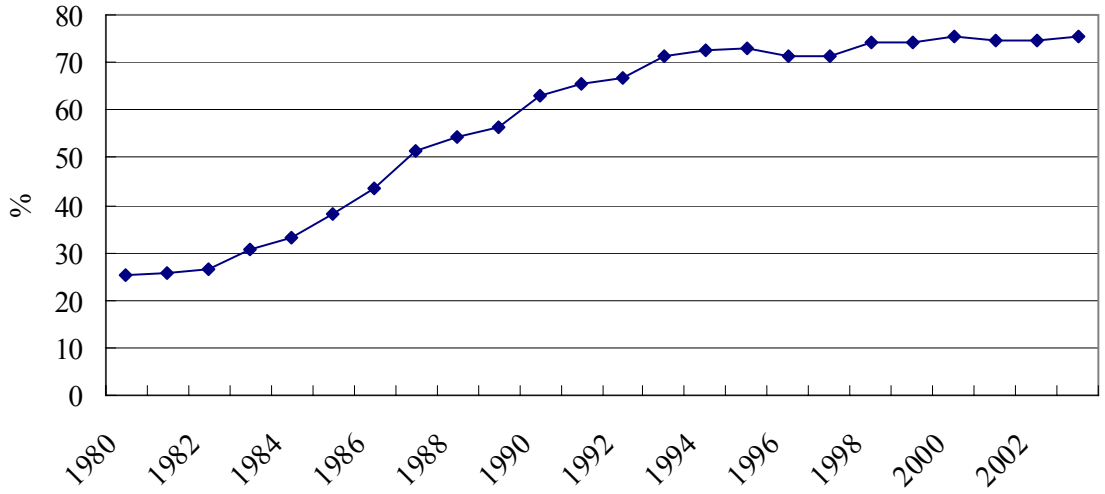
Figure 6-3 The ratio of Thai product / service export to GDP



Source: World Bank, World Development Indicators

The growth of manufacturing exports is clearly demonstrated in figure 6.4, which shows the ratio of manufacturing exports to product exports. The ratio of manufacture exports to commodities was only 20% at the beginning of the 1980s, but by the end of the 1980s it surpassed 50% and in the middle of 1990s it rose above 70%.

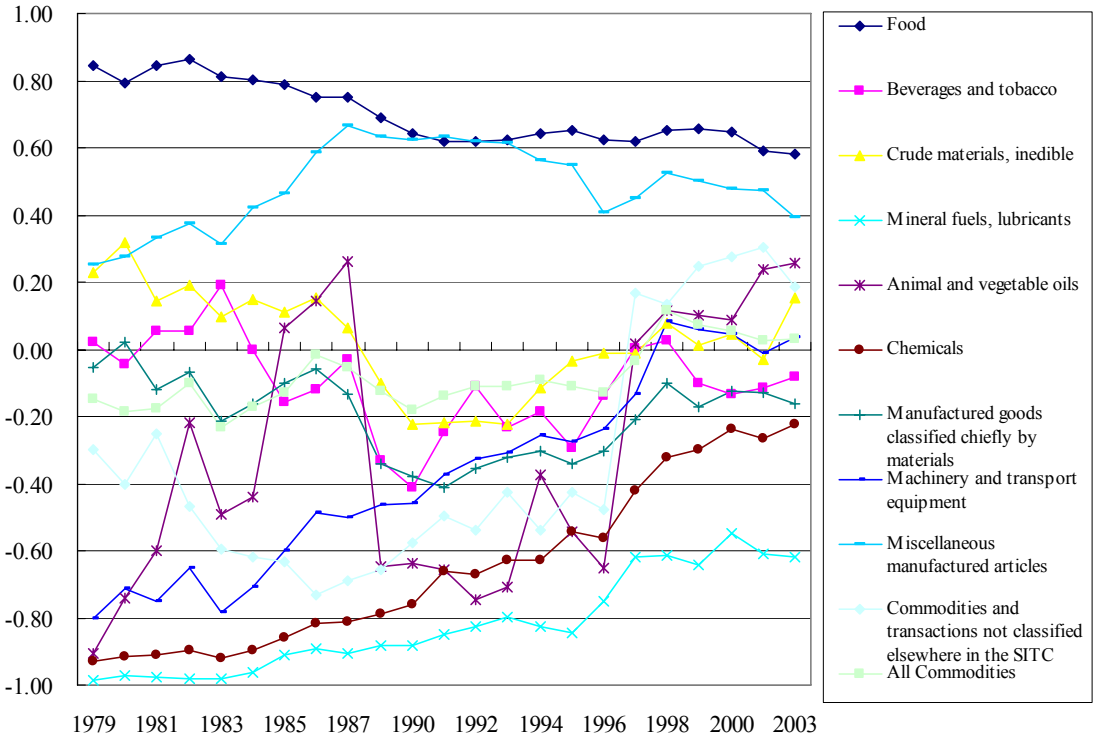
Figure 6-4 Rate of manufacturing sector in Thai export



Note: Information for 2002 was unavailable and thus percentages from 2001 were used instead.

Source: World Bank, World Development Indicators

Figure 6-5 International competitiveness of Thai export items categorized by SITC1



Source: United Nations, Commodity Trade Statistics Database （COMTRADE）

Finally, the shift in international competitiveness in trade sector, especially in manufacture sector, is examined in terms of the international competitiveness indicator, which is calculated by taking the difference between exports and imports and divided it by their sum.

In the classification of items shown in figure 6.5, the manufacturing industry is defined as including chemical products, material products, machinery and transport machinery, and miscellaneous manufacturing. Of these manufacturing industries, miscellaneous manufacturing (mainly textile industry) in Thailand has traditionally, had strong competitiveness, and from the 1980s until now international competitiveness has been growing consistently. In this regard, however, the recent advent of emerging neighboring countries such as China and Vietnam has increased international competitive pressure on the Thai textile industry.

For the past 25 years, the international competitiveness of Thai industries in the chemical products, material products, machinery and transport machinery sectors has consistently increased. The machinery and transport machinery sectors have had the largest export growth. Electronic products computer components, and electronic machinery in particular have boosted exports in this sector.. Also, Thailand has enhanced the industrial agglomeration in automobile sector, which is mainly for production and sales in domestic market. As a result of enhancing agglomeration, exports of automobiles and automotive parts to neighboring countries such as ASEAN countries and China are recently increasing. While Thailand is one of the countries severely affected by the Asian economic crisis in 1997, exports actually increased during this period because the fall of the baht enhanced the competitiveness of Thai exports.

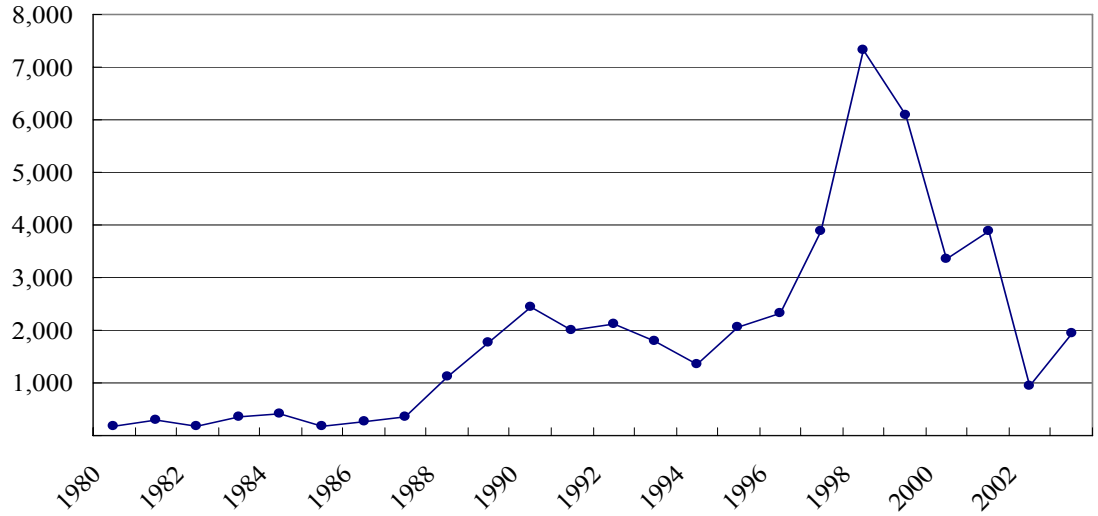
（2）Direct Investment

In the middle of the 1970s, Foreign Direct Investment (FDI) to Thailand dropped, but it recovered toward the end of the decade. It then fell again at the beginning of the 1980s. This was attributed to the fact that the domestic situation in Thailand was unstable and the Indochina situation overall had deteriorated. Otherwise, the stagnation of direct investment is attributed to the import substitution industrialization strategy which Thailand employed at the time. After that, from 1983 to 1984 there was an increase of investment from Japan. The total amount of direct investment however increased only slightly.

Due to the Plaza Accord, during which Japanese companies set up operations overseas, direct investment from Japan into Thailand increased sharply from the end of 1980 to the beginning of 1990's (Figure 6-6). Concurrently, Taiwan was also investing in Thailand next to Japan. Thereafter, the investment boom became calm and investment in Thailand was stable for a while. Since 1996 investment in Thailand started increasing again. In 1997, while Thailand suffered the effects of the Asian economic crisis, investment in Thailand increased due to buyouts of local industries in Thailand and the vigorous exchange of stocks. Later, direct investment to Thailand declined sharply, but in 2003 the amount of investment increased in approval basis compared to the

year before and now there are signs of recovery in direct investment. The recent important investment destinations are the automobile industry and the hard-disc drive sector.

Figure 6-6 Foreign direct investment inflow to Thailand (BoP, current US$)



Source: World Development Indicators

6.3 Trade capacity building in firms

6.3.1 Small and medium-sized enterprises (SMEs) and business group

(1) SMEs

The main focus of this evaluation is on capacity building of local small and medium-sized enterprises, so here the current status of small and medium-sized enterprises is elaborated on utilizing data from "The White Paper on Small and medium-sized enterprises of Thailand in 2003 and Trends 2004" by OSMEP.[48].

According to the industrial structural adjustment plan, enacted after the economic crisis in 1997, the number of small and medium manufacture offices covers 97.6% in 1996. The rate increases to 99.4% in 2004 (Table 6.6). According to sector, every sector of small and medium-sized enterprises has more than 90% share.

[48] Small manufacturers are defined as having less than 50 employees and 50 million baht in capital assets. Medium manufacturers have between 51 and 200 employees and between 50 million and 200 million baht in capital assets.

Table 6-6 The number of large company/small and medium enterprise by sectors in Thailand's manufacture in 2003

Category of business	Total	Large enterprises	Small and medium enterprises	Ratio of SMEs in total in the category	Ratio of SMEs in the category to SMEs in total
Food, Beverages	104,470	268	104,202	99.7%	27.6%
Garment	72,454	177	72,277	99.8%	19.1%
Texitile	57,003	189	56,814	99.7%	15.0%
Automobile, devices	44,894	66	44,828	99.9%	11.9%
Metalworking product (except machines)	27,069	130	26,939	99.5%	7.1%
Houseware	25,294	277	25,017	98.9%	6.6%
Other Nonmetallic product	9,882	73	9,809	99.3%	2.6%
Printing	8,659	66	8,593	99.2%	2.3%
Machinery	5,195	60	5,135	98.8%	1.4%
Leather, bag, shose	4,854	81	4,773	98.3%	1.3%
Rubber, Rubber product	4,906	226	4,680	95.4%	1.2%
Chemical product	3,361	76	3,285	97.7%	0.9%
Paper, paper product	2,137	56	2,081	97.4%	0.6%
Steel	2,052	60	1,992	97.1%	0.5%
Electric engine,tool	2,081	113	1,968	94.6%	0.5%
Radio, TV, Communication device	2,003	179	1,824	91.1%	0.5%
Car, Trailer	1,736	132	1,604	92.4%	0.4%
Other Transport machine	676	13	663	98.1%	0.2%
Tobacco	549	1	548	99.8%	0.1%
Medical instruments	558	26	532	95.3%	0.1%
Other Devices	77	6	71	92.2%	0.0%
Others	413	17	396	95.9%	0.1%
	380,323	2,292	378,031	99.4%	100.0%

Source: OSMEP （2004） The White Paper on Small and Medium Enterprises of Thailand in 2003 and Trends 2004

In 1996, the number of small and medium enterprise employees was 1333.9 thousand ,49.0% of the 2724.6 thousand employees in the manufacturing industry. In 2003, the rate was49.2%, almost the same as in 1996 (ref. Table 6.7). The ratio of small and medium enterprise employees differs greatly by a sector, and ranges from 5.6% to 100%,.

Table 6-7 the number of large enterprise and small and medium enterprise employees by sectors in Thailand's manufacturing industry in 2003

Category of business	Total	Large enterprises	Small and medium enterprises	Ratio of SMEs in total in the category	Ratio of SMEs in the category to SMEs in total
Food, Beverages	485,155	220,188	264,967	54.6%	19.2%
Garment	306,503	121,907	184,596	60.2%	13.3%
Texitile	190,810	50,150	140,660	73.7%	10.2%
Automobile, devices	284,079	151,797	132,282	46.6%	9.6%
Metalworking product (except machines)	245,588	124,349	121,239	49.4%	8.8%
Houseware	130,746	30,284	100,462	76.8%	7.3%
Other Nonmetallic product	196,056	124,079	71,977	36.7%	5.2%
Printing	98,498	36,047	62,451	63.4%	4.5%
Machinery	87,843	30,123	57,720	65.7%	4.2%
Leather, bag, shose	100,493	61,750	38,743	38.6%	2.8%
Rubber, Rubber product	73,282	38,148	35,134	47.9%	2.5%
Chemical product	66,482	35,743	30,739	46.2%	2.2%
Paper, paper product	93,858	65,775	28,083	29.9%	2.0%
Steel	43,829	17,498	26,331	60.1%	1.9%
Electric engine,tool	100,178	74,525	25,653	25.6%	1.9%
Radio, TV, Communication device	44,290	19,609	24,681	55.7%	1.8%
Car, Trailer	198,611	176,459	22,152	11.2%	1.6%
Other Transport machine	32,172	27,327	4,845	15.1%	0.4%
Tobacco	13,698	9,503	4,195	30.6%	0.3%
Medical instruments	1,960	N/A	1,960	100.0%	0.1%
Other Devices	11,989	11,313	676	5.6%	0.0%
Others	7,056	3,259	3,797	53.8%	0.3%
	2,813,176	1,429,833	1,383,343	49.2%	100.0%

Source: OSMEP（2004） The White Paper on Small and medium-sized enterprises of Thailand in 2003 and Trends 2004

Table 6.8 shows the value added by enterprise scale in manufacturing from 1999 to 2003. The value added by the whole manufacturing industry steadily increases. In addition, it shows that during the recovery from the economic crisis small and medium-sized enterprises grew more than large companies and that this continued until 2001.

Table 6-8 The value added by Thailand's manufacture

	1999	2000	2001	2002	2003
GDP（million Baht）	4,637,079	4,923,263	5,133,836	5,451,854	5,939,062
Manufacture value added	1,514,031	1,653,325	1,715,280	1,848,397	2,089,433
Small and Medium Companies	412,996	469,673	495,964	534,534	604,238
Automobile, devices	157,391	177,001	185,975	199,519	225,537
Medium	255,605	292,672	309,989	335,015	378,701
Large Companies	1,101,035	1,183,652	1,219,316	1,313,863	1,485,195
% of GDP	32.7%	33.6%	33.4%	33.9%	35.2%
Small and Medium Companies	8.9%	9.6%	9.6%	9.8%	10.2%
Small	3.4%	3.6%	3.6%	3.7%	3.8%
Medium	5.5%	6.0%	6.0%	6.1%	6.4%
Large Companies	23.8%	24.0%	23.8%	24.1%	25.0%
% of Manufacture value added	100.0%	100.0%	100.0%	100.0%	100.0%
Small and Medium Companies	27.3%	28.4%	28.9%	28.9%	28.9%
Small	10.4%	10.7%	10.8%	10.8%	10.8%
Medium	16.9%	17.7%	18.1%	18.1%	18.1%
Large Companies	72.7%	71.6%	71.1%	71.1%	71.1%

Source: OSMEP（2004） The White Paper on Small and medium-sized enterprises of Thailand in 2003 and Trends 2004

Table 6.9 shows manufacturer exports by company scale. It shows that on a whole manufacturing exports have increased but that small and medium-sized enterprises have had greater growth in exports than larger companies. Small and medium sized enterprises' exports more than doubled between 2000 and 2003, and the ratio of small and medium-sized enterprises' exports to the whole manufacture exports increased to 45.5%.[49] Among export items, the machinery and machine components sector, and the automobiles and automotive parts sector have had conspicuous growth. The manufacturing industry as a whole is comprised of a balanced combination of heavy and light industries (Table 6.10). The top five countries or areas by destinations are Japan, the U.S, Singapore, Hong Kong, and China.

Table 6-9 Exports according to company's scale in Thailand

	2000	2001	2002	2003
Manufacture Export Value (billion Baht)	1,963	2,011	3,164	3,334
Large companies	1,208	1,217	1,954	1,816
Small and Medium Companies	755	794	1,209	1,517
Automobile, devices	38.4%	39.4%	38.2%	45.5%

Source: OSMEP（2004） The White Paper on Small and medium-sized enterprises of Thailand in 2003 and Trends 2004

[49]The report by Yamamoto and Igusa (1996) noted the proportion of small and a medium enterprise in total export in 1994 to be 10%.

Table 6-10 The major export items of small and medium-sized enterprises in Thailand

Items	2002 (million Baht)		2003 (million Baht)		growth rate
Electric and electronic equipment	(1)	209,091	(1)	237,967	13.8%
Machinery, Device	(18)	3,847	(2)	220,604	5634.4%
Textile product	(2)	166,596	(3)	129,092	-22.5%
Automobile, devices	(7)	49,513	(4)	114,450	131.2%
Plastic product	(3)	95,504	(5)	92,682	-3.0%
Grocery	(6)	82,705	(6)	83,692	1.2%
Rubber product	(5)	87,676	(7)	82,254	-6.2%
Jewelry, accessory	(4)	92,419	(8)	58,395	-36.8%
Chemical products	(8)	47,181	(9)	52,854	12.0%
Iron or steel product	(9)	41,042	(10)	36,117	-12.0%
Subtotal of top 10		875,574		1,108,107	26.6%
Others		333,724		408,864	22.5%
Total		1,209,298		1,516,971	25.4%

Note: ( ) show the exports levels by items

Source: OSMEP（2004） The White Paper on Small and medium-sized enterprises of Thailand in 2003 and Trends 2004

(2) Business groups

① Thai Chambers of Commerce（TCC）

The TCC consists of chambers of commerce in each prefecture and 80 economic organizations. In its efforts to promote exports, the TCC cooperates with the government, and accompanies top governmental officials on their travel abroad on dispatch missions. Also, regarding human resource development, TCC provides training and consulting services for member companies.

② Federation of Thai Industries （FTI）

FTI has more than 6000 member companies of which 75% are small and medium-sized enterprises. FTI established the Human Capacity Building Institute (HCBI) which provides training programs for member companies. For example, in 2004, FTI had 76 training programs and 1290 participants. It also has seminars for 4000 participants and industrial plant visit programs for 150 participants. FTI has a close relationship with the Department of Export Promotion (DEP) and the Board of Investment (BOT), both of which corporately accept missions and dispatches. The chairman of FTI also has a position on the BOT.

6.3.2 Trade capacity building of the private sector

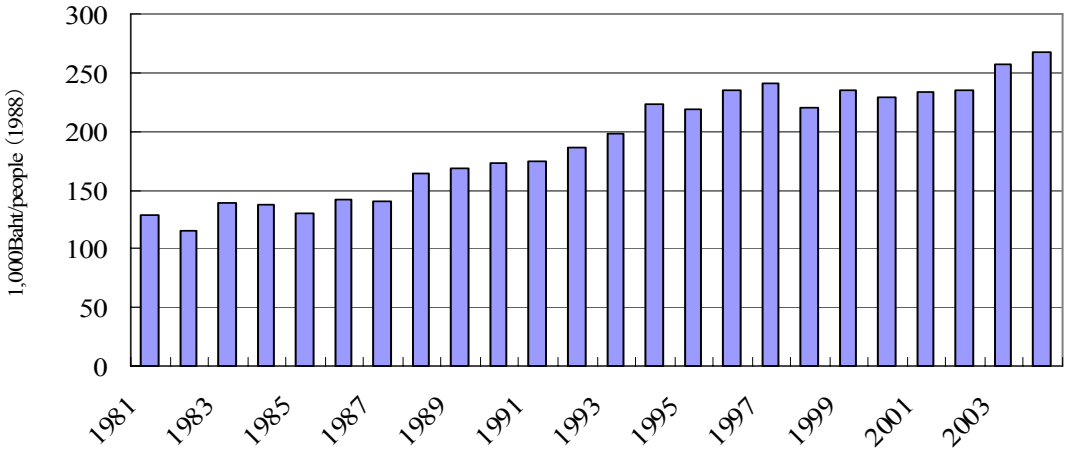
This section analyzes the process of export capability building in the corporate sector based on Actor Factor analysis. The export capability of companies within an industry is judged according to their strengths in three areas: ”policy and measure (“P” factor)”, ”human resource and organization (“R” factor)”, and knowledge and skill (“K” factor), each of which measured by an alternative indicator.

The alternative indicator for ”policy and measure (“P” factor)” is labor productivity in manufacturing (the amount of the value added by employee), for ”human resource and organization (“R” factor)” it is the ratio manufacture employees to all employees in the economy, and for knowledge and skill (“K” factor) it is crude enrollment in secondary school.

In selecting these alternative indicators, special attention was paid to creating indicators that captured not just the capabilities of companies currently exporting , but also the potential capability of all companies. Because it is difficult to set up an indicator for the ”policy and measure” category that gives a comprehensive evaluation of companies’ actions, changes in labor productivity that result from company actions was used. Because of limitation of data collection, the two indicators for ”policy and measure (“P” factor)” and ”human resource and organization “R” factor” include not only small and medium enterprise but also whole manufacture companies. Similarly, the indicator for “education and skill (“K” factor)” includes not only manufacturing but industry in general. It is assumed that each indicator still maintains its relevance.

While the labor productivity in Thailand steadily increased with some variation, the productivity level remained at lower level than in developed countries’. For example, Thailand’s labor productivity in 2000 was 6,616 dollars in terms of current U.S. dollar value, which is higher than Indonesia and Philippines in the same year, while Japan’s labor productivity was 73,864 dollars using the same measure[50]. It is conceivable that the disparity results from the difference in the capital intensity of industrial technology between Thailand and Japan, but in any event the disparity is still huge.

Figure 6-7 Labor Productivity of Thai manufacturing sector

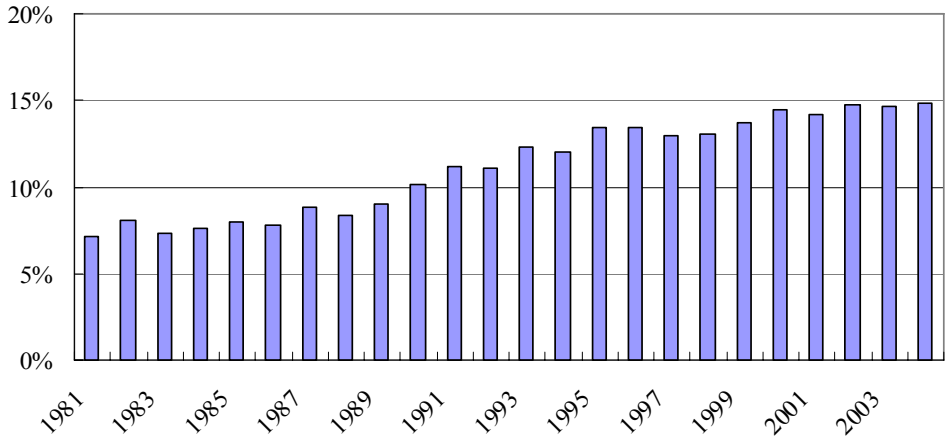


Source: ADB Key Indicators

[50] Calculation based on public data by Ministry of Internal Affairs and Communications, Bureau of Statistics in 2006

The ratio of manufacturing employees to total employees has steadily increased. With the strong competitiveness of agriculture sector, the rate of manufacturing has been stable at a lower level. The rate is lower than in Malaysia and higher than in Indonesia and the Philippines.

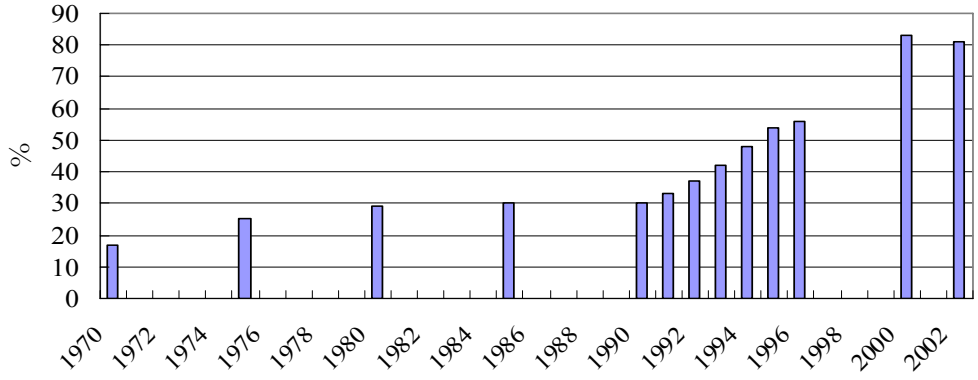
Figure 6-8 The proportion of employees in the manufacturing sector in Thailand



Source: ADB Key Indicators

While it has been pointed out that Thailand's secondary education rate has not kept pace with its economic development, secondary education enrollment has in fact greatly increased since the 1990s. In the beginning of the 1980s, the rate of crude school enrollment was less than 30%, but currently it is more than 80%. While the rate does not reach the level in advanced industrial nations, it is comparable with the Philippines, which had the top level in the ASEAN region for years[51].

Figure 6-9 The secondary school enrollment in Thailand



Note :Data is not available for 1971~1974, 1976~1979, 1981~1984, 1986~1989, 1997,and 1998

Source: Global Education Database

[51] The crude secondary school enrolment rates of developed countries in 2000 are as follows; Japan 100%, Canada 98%, the UK 95%, France 92%, Korea 91%, Australia 90%, Germany 88%, the U.S. 87%(Global Education Database)

Local industries such as small and medium-sized enterprises and supporting industries are more competitive than companies in other countries in this research. In certain industries, it is the case much of the capital comes from foreign investors but in the export sector,to a certain degree local industries make contributions as well. Overall, the Thai trade sector has transitioned from the System-working Stage to the Self-management Stage.

6.3.3 Self –analysis of trade capacity by enterprises

In questionnaire research for enterprises, which was conducted as part of this evaluation, subject enterprises were asked for a self-evaluation of their competitiveness. In the following chapter, the present status of enterprise export capacity is analyzed based on the result of these questionnaires.

(1) General overview of recipient companies

Questionnaires research in Thailand was conducted based on a list of 400 enterprises which Thai Thammast University posses, and 24 enterprises answered. Among these enterprises, eight were small and medium-sized enterprises and seven were large enterprises 2000,[52] and nine were small and medium-sized enterprises and seven large enterprises in 2004.[53][54] Based on the result of the questionnaires the characteristics of small and medium-sized enterprises are analyzed in the terms of (A) business model (B) industry field (C) major export destination ,and (D) foreign capital ratio,.

(A) Business model

In terms of business model, enterprises were asked to categorize themselves into one of four categories, (1) manufacturing and direct exporter (2) manufacturing and indirect exporter (3) non-manufacturing and exporter (4) other (or you can say “none of the above”). Nineteen out of twenty four enterprises answered (1) in 2004. One enterprise answered (2) and two enterprises answer (3).

(B) Industry

All respondents were either from the food industry or the fiber/clothing industry due to the small number of participants. A detailed breakdown of the enterprise categories of those companies that answered “other” is given in Table 6.12.

[52] Although “small” and “medium” refer to enterprises with total assets of less than a billion baht in Thailand, in the interests of comparison with other countries, the World Bank size criterion, which defines such industries as having less than 300 employees, is employed in this chapter.

[53], There were no answers concerning the size the firm from the remaining 8 enterprises in either 2000 or 2004.

[54]Because there are some enterprises which didn’t give valid answers for all items, and there are some questions which allow multiple answers, the total number of answers and enterprises don’t match.

Table 6-11 Industries reported in answers

Food	Apparel and textile	Pulp and paper	Chemical	Medical goods	Petroleum and coal product	Wood product	Rubber product	
12	4	0	0	0	0	0	0	
Glass, soil and stone product	Iron and steel	Nonferrous metal	Metal products	General machinery and parts	Electric equipment and parts	Transport equipment and parts	Precision equipment and parts	Others
0	0	0	0	0	0	0	0	8

Source: The questionnaire interview by the study team

Table 6-12 Detailed categorization of "other" in 2004

Breakdown of Others

Types of Industries	
Plastic ornament	1
Dog food	1
Resin perfume bottle	1
Rice Craclurs	1
Doll toy	1
Unknown	3

Source: The questionnaire interview by the study team

(C) Export Destination

The most common destinations for exports were ASEAN and North America both of which were listed seven times. Other destinations, listed from most to least common were East and West Europe, Latin America, Japan and China. Although the number of sample enterprises was limited, these results are consistent with general export trends in Thailand ,which show strong export activity to Asia centering on ASEAN, America centering on North America, and Europe.

Table 6-13 Answers for major trade destinations in 2004

Major export market	Number of Companies
ASEAN	7
Japan	3
China	3
South Korea	1
Central Asia	0
South Asia	1
Middle East	3
Western Europe	5
Eastern Europe	4
Africa	0
North America	7
Central and South America	4
Oceania	1
	39

Source: The questionnaire interview by the study team

(D) Major destination of export

As for the destination of export, the number of enterprises which answered ASEAN and North America was both seven, and the largest, followed by that of enterprises answered East and West Europe, Latin America, Japan and China. Although the number of sample enterprises was limited, the result that the export to Asia centering on ASEAN, America centering on North America, and Europe was large was consistent with general trend of export in Thailand.

(E) Analysis of small and medium-sized enterprises based on questionnaires

The questionnaire research asked the subject enterprises to evaluate themselves on (1) production (2) production development (3) marketing (4) trade business, in terms of three factors (a) total competitiveness (b) the number of expert and skillful staff members (c) technique and know-how. The questionnaire asked about (b) and (c) under the assumptions that these items are important factors in the development of (a). Due to the limitations of self evaluation the results may not offer an objective standard. However, real change between 2000 and 2004 can be inferred from the difference in responses between 2000 and 2004, and relative standard of capacity building can be inferred from the results of 4×3 factors in the questionnaire.

Comparing answers from the enterprises in 2000 and 2004, all items and factors were evaluated at an average of more than 3 points in both 2000 and 2004, and more than half the items and factors

improved from 2000 to 2004. (Ref. Table 6.14)

Table 6-14 Self evaluation of business capacity

			Satisfaction level further improved	Changed from negative evaluation to positive evaluation	Improved but still unsatisfied	Unchanged
.Evaluation of own company's performed work	Production	Overall Competitiveness	◎			
		Number of Skilled/Specialized Staff				◎(+)
		Technology/Know-how				◎(+)
	Product Development	Overall Competitiveness				◎(+)
		Number of Skilled/Specialized Staff	◎			
		Technology/Know-how	◎			
	Marketing	Overall Competitiveness	◎			
		Number of Skilled/Specialized Staff	◎			
		Technology/Know-how	◎			
	Trade business	Overall Competitiveness				
		Number of Skilled/Specialized Staff	◎			◎(+)
		Technology/Know-how				◎(+)

Note: 1. T-evaluation using SPSS 13.0J for Windows

2. Evaluation samples are only for companies established before 2000.

3.◎(－) indicates that the average score was below three and the sample did not improve after four years.

4.◎(+) indicates that the average score was above three and the sample did not improve after four years.

Source: The author

Based on the result of questionnaires, increases in sales and exports from 2000 to 2004 and the self-evaluations of companies that responded both in 2000 and 20004 are shown in Table 6.15. In this figure, enterprises are listed in order based on increases in sales and exports[55].

As for the correlation between export performance and enterprise capacity, the analysis of questionnaire results conducted in Indonesia in chapter three showed that enterprises which have high export performance and export highly-processed products generally have a high evaluation of their capacity, and enterprises which have high export performance but export minimally-processed productsdo not necessarily have a high evaluation of their capacity.

On the other hand, it was hard to analyze whether they have similar tendencies because the small number of sample enterprises and the disproportionate representation of the food and textile industries. However, it is interesting that a positive correlation can be seen between self evaluation of enterprises and export performances. In other words, all enterprises which gave themselves a 5-point score in at least one aspect of their capacity improved their export performance from 2000 to 2004.

[55] Enterprises that didn't answer the export value or business field questions were excluded from the figure

Table 6-15 Answers on export performance and self-evaluation on trade capacity

Company	Products (2004)	Sales amount (1,000 baht)			Export Value (1000 baht)			Production		Product Development		Marketing		Trading business	
	Items	2000	2004	Increase	2000	2004	Increase	Number of Skilled/Specialized Staff	Technology/ Know-how	Number of Skilled/Specialized Staff	Technology/ Know-how	Number of Skilled/Specialized Staff	Technology/ Know-how	Number of Skilled/Specialized Staff	Technology/ Know-how
Company1	frosten food	44,736	161,748	262%	N/A	93,270	N/A	4	4	4	5	4	4	4	4
Company2	resin perfume bottle	5,000	15,000	200%	4,000	15,000	275%	5	4	4	4	5	4	4	5
Company3	Bamboo Shoot/ Mushroom	4,000	7,000	75%	4,000	7,000	75%	4	3	3	3	4	3	3	3
Company4	canned vegetable	60,000	99,000	65%	20,000	32,000	60%	4	4	4	4	5	4	4	3
Company5	coccnut milk product	469,000	722,000	54%	79,300	40,100	-49%	5	4	4	4	4	4	4	4
Company6	fresh vegetable	130,000	200,000	54%	100,000	150,000	50%	4	4	4	4	5	4	5	4
Company7	seasoning	120,000	180,000	50%	5,000	20,000	300%	4	4	4	4	3	3	4	4
Company8	dog food	400,000	580,000	45%	180,000	300,000	67%	4	5	N/A	N/A	4	4	4	4
Company9	cloths	72,000	102,000	42%	55,000	80,000	45%	4	4	4	4	4	4	4	4
Company10	textile	52,000	64,000	23%	48,000	60,000	25%	4	4	4	4	3	4	3	3
Company11	instant noodle	1,298,000	1,575,000	21%	261,000	309,000	18%	5	5	5	5	5	5	5	5
Company12	dried food	50,000	50,000	0%	0	0	0%	4	3	3	4	4	3	3	3
Company13	prawn	1,205,192	1,118,888	-7%	999,658	958,264	-4%	4	4	4	4	4	4	4	4
Company14	doll toy	10,000	8,000	-20%	2,000	1,500	-25%	3	3	3	3	3	3	3	3
Company15	canned fish	106,100	61,300	-42%	N/A	22,800	N/A	4	3	4	3	3	3	4	3
Company16	plastic ornament	194,198	84,770	-56%	194,198	16,986	-91%	4	4	4	4	4	4	4	4

Column5: Case studies of Thai Enterprises

In this research, interviews were conducted parallel to the questionnaire. The following articles are a summary of the export trend and capacity of Thai enterprises based on these interviews.

1. Thai Enterprise A (Bangkok, major exporting product: clothing)

This company manufactures clothing (sweaters) and exports one hundred percent of its products as OEM (brand names such as Adidas). Exports to North America,makes up 80% of the total output with 15% going to Europe, and the remaining 5% to Asian countries including Japan. Although the number of employees was 100 in 1981 when the company was established, due to rapid growth after the middle of 1990s, it grew to 1200 employees in 1999, and now this company has approximately 2000 employees. This company has a factory on the outskirts of Bangkok. It was not affected by the Asian economic crisis because it relies on export and the export destinations were stable. In addition, when it faced difficulty in funding during the currency collapse, received aid from its parent company.

This company received government support from organizations including the Thai Japanese Technology Promotion Institute, and the Thai Productivity Center and private support from, among others, the Thai Garment Manufacturer Association. It was somewhat satisfied with ths support. This company's interest in recent years is in new investment, facility investment, recruiting human resources from other companies, and obtaining ISO (9001), through which this company is increasing its global competitiveness with a focus on exports. Consequently, assuming the present support measures, this company does not much expect from governmental programs in the future.

2. Thai Enterprise B (Bangkok, major exporting products: Air conditioners and their parts)

This company is a typical family business enterprise. It manufactures air conditioners and their parts. It sells 80 percent of its products in domestic markets and exports the rest of them as CKD, OEM and under its own brand name. Its exports is go mainly to the Middle East and India. There are import firms in these counties and this company exports its products by using this sales channel.

At the time of its establishment the company manufactured metal processing parts (metal frames). After procuring compressor from domestic manufacturer[56], it began to manufacture completed products starting in2002 by using the same technique required to manufacture frame parts. Since it was affected by the Asian economic crisis, its production and sales decreased, and its staff declined

[56] According to the interview, there are three Thai domestic companies which have capability to manufacture compressor. From one of these three, this company procures compressors.

from 200 (1999) to 80 through restructuring that include closing one factory.
This company has never used governmental export support programs. As for private sector services, although the Air Conditioning Manufacturer Association provides information and holds seminars, this company does not consider these services to be helpful. Rather, its major desire is for the government to reduce its tax burden; current tax law, requires companies to pay both VAT and luxury tax.

(3) Thai Enterprise C (Bangkok, major exporting product: Frozen food
This company manufactures and exports frozen sea food. It developed from a family business started by Chinese immigrants. This company exports 90% of its products. For example, it purchases fish, processes it by hand, and exports to Kyokuyo Co. Ltd. in Japan. In addition, this company established import firms, and exports to the U.S. market through these firms. Its employees numbered 4500 in 1999, and it currently employs 6000. Because this company relies on exports, it was not affected by the Asian economic crisis, which in fact increased its exports due to the weak baht. This company decided to establish a joint frozen sea food processing corporation with Kyokuyo Co. Ltd. This company has ISO9000 and ISO14001. It is located near Lame Chabang port, which is well-suited for export and allows it to maintain the freshness of its foods. The company basically trains its employees by itself. (However, this company has received Japanese experts in transferring technology from Kyokuyo. Co.) As for government exporting support services, this company has participated in seminars and received information, and is satisfied with these services. This company is ranked within the top five in this field in Thailand, but companies in China and Vietnam are strong competitors in the international market.

6.4 Capacity building of the government to expand Thai export

6.4.1 Government agencies provide service related to export

Trade related government organizations are listed based on JICA(2003) (See Table 6.16)
Although major management organizations are listed on each column concerning roles, in terms of development of fundamental policy and law, the Ministry of Commerce (MOC, Ref. Figure 6.10) and the Ministry of Industry (MOI) are important organizations.

Under the organizational controls in the actual policy system, each ministry develops its own action plan based on the requirements of the National Economic and Social Development Plan. Although both MOC and MIC develop these plans, they are not made public. For example, in the case of MOI, issued policy directives are compiled in the ““policy and measures” of the Ministry of Industry”

report.

After the inauguration of Taksin Administration in 2001, the government amended its exclusive devotion to “foreign capital/foreign demand (single track)”, and adopted “dual track agenda” that put emphasis on the balance between foreign capital/foreign demand and domestic capital/domestic demand. There is no question as to the importance of development of the domestic capital. As to the domestic demand, both domestic and foreign markets are under global competition in the liberalization, the capacity development that is conscious of global competition is needed. It is particularly noted that the government, as “a global leader of the niche market”, has concretely selected its future critical industry. Especially, food, automobile, sightseeing, fashion, and software (graphic design) are selected as the top priority. It is remarkable that electronics industry that is a main export industry of Thailand is not included in the critical industry[57].

[57] JETRO (2004)

Table 6-16 The list of government agencies related to Thai international trade

Government function in trade sector (Large items)	Government function in trade sector (Small items)	Examples	
Establishing Basic Conditions	Legal System Development for Commercial Transactions	Development of Civil laws, Commercial laws, Registration laws, Rehabilitation, reorganization and Bankruptcy law, Antitrust law, Immigration law and alien registration law	
	Provision of Economic Infrastructure	Transportation Infrastructure, Electricity generation, Transmission and Distribution Infrastructure, Telecommunication Infrastructure, Financial System, Standards and conformity Assessment System, Intellectual Property Rights, Statistics	Ministry of Transportation
	Creation of Business Environment for Domestic Industries	Various forms of deregulation to promote new entries into the market, Establishing financial institutions, Promoting research and development activities, Supporting business services for small and medium enterprises	OSMEP
	Industrial Human Resources Development	Human resources development for science and mathematical education, as well as information technology education at elementary and intermediate levels of schooling, and High level specialized skills, English education, Certified engineers systems, Vocational training and job matching	ITTI, Ministry of Education
Automobile, devices	Formulation and Implementation of Industrial and Trade Policies Based on Medium- to Long term Perspectives	Formulate and implement their industrial and trade policies and implement WTO agreements	Policy and Strategy Bureau (MOI), Office of the Export Planning (DEP)
	Establishment of Trade related Laws, Regulations, and Institutions	Basic Laws on Export and Import, Basic Laws on customs, Import-related laws （Quarantine Law), Export processing zone, Trade-related financial system(Trade insurance, export finance), Establishment of export promotion organization	Office of the Export Planning (DEP)
	Trade-related procedures	Test, Inspection, Custom, Quarantine	DTN(MOC), DIP (MOC)
Export support service	Providing information on the overseas markets	Organizing marketing seminar, trade shows and exhibitions of products	ITTI
	Providing information on Foreign and domestic trade procedures, Incentives	Foreign trade system, procedure and business custom, Information on incentives, Strengthening of functions of trade promote organization	DEP
	Fostering Viable Private Sector	Management and technical guidance, Training for Product development and agrotechny	ITTI, Product Development Center (DEP)

Source: JICA-Institute for International Cooperation (2003) "Approach for systematic planning of development projects (Trade and Investment Promotion)"

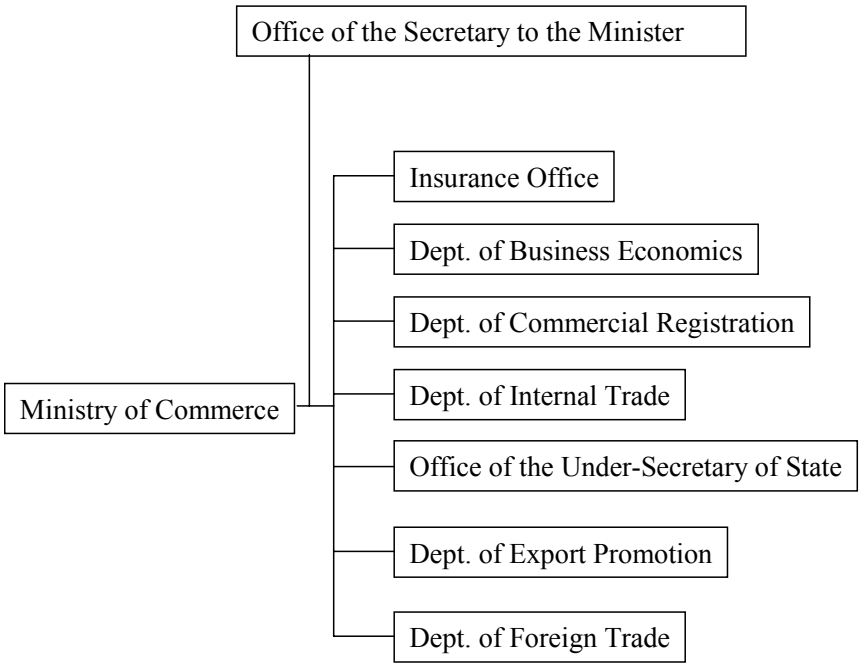
（1） Department of Export Promotion （DEP）, Ministry of Commerce

The DEP was established in 1952, and since then the number of its officials increased from around 50 to 833 (with 216 working overseas). During this period, export promotion policy evolved from the research-centered system of the 1950s to the mature export-oriented policy of the 1980s.

Recently, the Office of OTOP and the Office of Special Taskforce were established, and the number of offices increased to 18. (Ref. Figure 6.12)　The integration of MOC and MOI, which is planned for after March 2006, is expected to improve efficiency. Since 1999, its annual budget has remained at 0.9 billion baht. Although its Roadmap is produced as a part of the National Economic and Social Development Plan (under the control of NESDB), it is not made public.

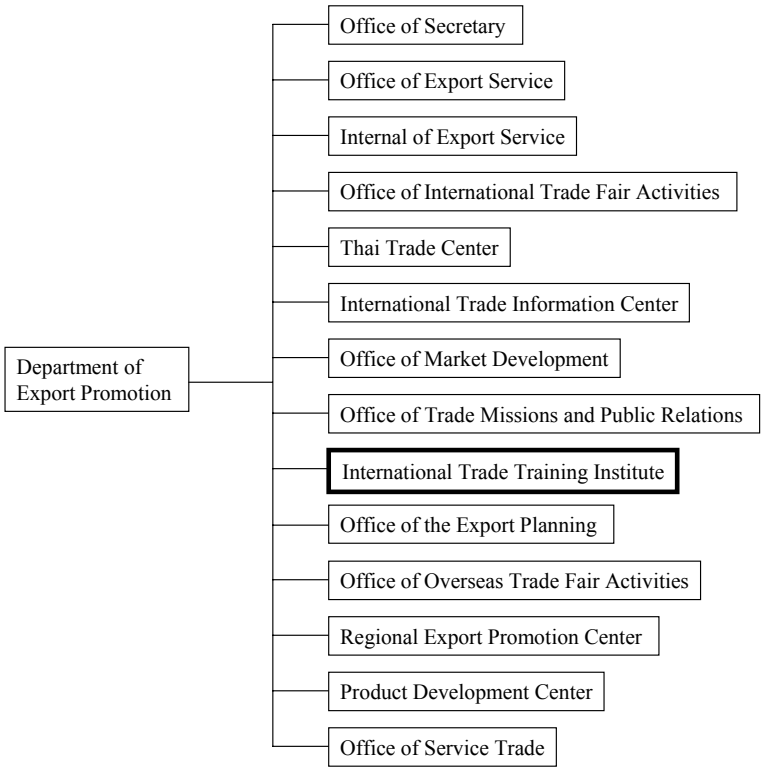
The Trade Training Center established by Japanese grand aid and JICA-support has now become the International Trade Training Institute (ITTI). While ITTI does not provide training on a large scale, it has accepted trainees from CLMV countries since three or four years before (described later). DEP has in the past accepted cooperation from JETRO, Dutch CBI, and the International Trade Center (ITC).

Figure 6-10 Organization of the Thai Ministry of Commerce



（Source）MOC Website

Figure 6-11Organization of the Department of Export Promotion （DEP）, Ministry of Commerce



Source: DEP Website

（2） International Trade Training Institute （ITTI）, Department of Export Promotion （DEP）, Ministry of Commerce

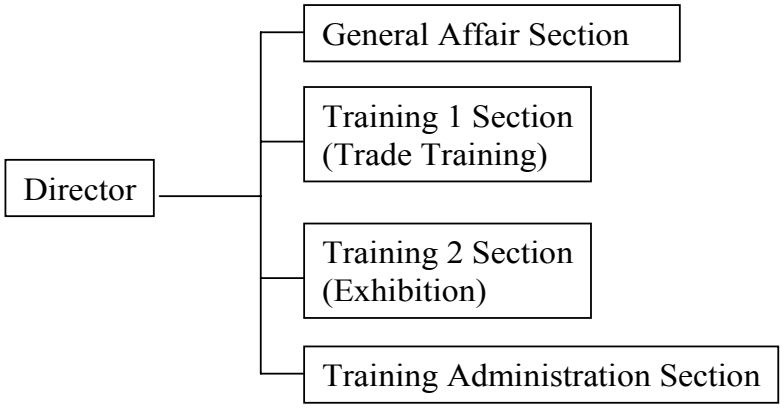
ITTI (former ITTC (International Trade Training Center) implements 86 training courses and seminars per year. It employees 25 staff members, who are in charge of planning and implementing these training courses・seminars. They rely on outside instructors, 80 percent of which are assigned by private organizations, and 20 percent of which come from governments. Export inspection training, which was implemented at that time of the projects, is no longer carried out. The inspection instruments provided by our country were transferred to MOI. JICA and JETRO supported ITTI shortly after the project ended, but they don't have a direct co-operative relationship at present. ITTI doesn't receive support from other countries. Although its conference halls and attached seminar rooms are well maintained, there are only two of the latter,, which makes it small in comparison to centers in other countries. In the exhibition hall, an exhibition booth displaying export products was permanently installed and many people visited. After the Plaza Accord in 1985, the trade investment environment in Thailand dramatically changed, and it cannot be denied that the position of ITTC has

become relatively smaller since then.

The Regional Export Promotion Center (REPC) was established simultaneously with the DEP around 15 years ago and has offices in the same five locations as the latter.. Not only local export promotion operations, but also training courses・seminars are held using ITTI resources. The total number of training courses and seminars when summed over all offices, is fifteen per year.

Government organizations like ITTI implement training about fundamental know-how such as export procedures. However, because quality improvement and expert knowledge is essential for enterprises, private training organizations began responding instead to these needs.

Figure 6-12 Organization Table of International Trade Training Institute in Thailand



Source: Documents of ITTI

Table 6-17 Summary of export promotion activities by Department of Export Promotion (DEP) in Thailand (2003)

	Exhibitor (Number)	Attendant (Number)	Sales Worth (US million	
			Actual	Potential
International Exhibition in	3636	15640	21	120
Bangkok Gems and Jewelry Fair	1264	20750	257	515

	Participant Company (Number)
Overseas International Trade Exhibition	1252

	Participant/Buyer (Number)
Trade Mission	29000

Source: Based on Annual Report（2003）of Department of Export Promotion（DEP）

Related government organizations other than DOC are as follows

（3）OSMEP (Office of Small and medium-sized enterprises Promotion）

OSMEP was established in 2001 as a focal point not only for the manufacturing industry but also for the comprehensive promotion of small and medium-sized enterprises (SMEs) including the commercial・service industry. There were 60 officials at the time of establishment and , that number has since increases to 237. Among officials, less than 10 are from the government and the rest of them are from private groups. OSMEP develops the SME promotion master plan and action plan. The goal for the first plan from 2002 to 2006 was 6 percent growth of the SME export rate, but in 2004, it met and exceeded this goal, with a 22 percent growth over the previous 2 years. OSMEP is now planning its second plan, and it plans to narrow down priority industries, then develop a detailed plan taking into account entrepreneurial and growth periods. Although there are around 50 government・non-government organizations which are targeted in Master Plan (MP), since OSMEP has no authorization for budget allocation, it will face difficulties in implementing the plan. OSEMP does not have any record of receiving support.

（4）BSID (Bureau of Supporting Industry Development, Department of Industrial Promotion, Ministry of Industry）

The Industrial Service Division (former BSID) began its work more than 30 years ago, and at the time specialized in metal processing. It became an independent bureau in 1988, established a new division including plastic molding in 1996, and became the present BSID. BSID mainly targeted agricultural machines at that time, but has shifted its emphasis to the auto industry and metal molding at present. BSID receives support from the New Energy Development Organization, and JETRO besides JICA. In FY 2004, it had 138 officials and a budget of 100,000 baht, but in FY 2005, its budget is expected to be cut in half because the budget will be directly allocated to implementing organizations such as the Thai German Institute. OSMEP and DEP do not necessarily have a close coalition.

6.4.2 Trade capacity building in the government sector

Starting with the Department of Export Promotion (DEP), export promotion capacity by the government sector has steadily been developed. Export-oriented industrialization begun in the 1970s supports the exports of not only foreign-capitalized enterprises but also domestic enterprises, and in this context, support to the Trade Training Center was implemented in 1983. The Small and Medium Enterprise Promotion Law was enacted in 2000, the Office of Small and medium-sized enterprises Promotion (OSMEP) was established in 2001 as a focal point of small and medium enterprise

promotion, and the organization of DOI was reformed to emphasize small and medium-sized enterprises and supporting industries. Consequently, these reforms enabled the autonomous development of a system which supports businesses from both sides by strengthening the competitiveness of enterprises (small and medium enterprise promotion) and through foreign marketing (narrowly defined export promotion) about export of small and medium-sized enterprises. The staff at the DEP and OSMEP has sufficient expertise, and are eager to work.

Although some believe that the DOC and DOI should be integrated, strong leadership from the Office of the Prime Minister during the Thaksin administration has generated a productive coalition between the two departments, and as such talks of a merger have so far been moot.

Figure 6-13 Trade capacities building in the government sector

	1960	1970	1980	1990	2000
Policies and measures (Related laws and mid-term plans)	Investment Encouragement law (1960)				
		Revision of Investment Encouragement Law (1972)			
			Export Processing Zone Law (1977)		
			Investment Promotion Law (1977)		
					Small and Medium Enterprises Promotion law(2000)
			The Fifth Five Years Plan (1982-1986)		
					Small and Medium Enterprises Promotion Master Plan(M/P)(2000)
Human resources and organizations (Related specialized organization)	Department of Export Promotion (DEP, 1952)				
	Board of Investment (BOI, 1959)		International Trade Training Institute (ITTI, 1983)		
					Office of Small and Medium Enterprises Promotion (OSMEP, 2001)
					Reorganization of Department of Industrial Promotion (2001)
Knowledge and skills (Statistics, White paper)			Annual Trade Statistics(1983)		
				DEP Annual report(1998)	
					OSMEP White paper (2004)

Source: The author

6.4.3 Evaluation by private sector of the government in supporting export

In this chapter, ,government export promotion policy and trade related services, and the trade related services of industrial organizations are investigated and evaluated based on the results of questionnaires given to enterprises

When evaluating government export promotion measures enterprises expressed improved satisfaction with more than half the policies/services about which were asked. (Ref. Table 6.18) Policies/services that showed improved satisfaction were further categorized into three groups divided according to whether the evaluators: (1) Noted further improvement to an already satisfactory rating, (2) Shifted their evaluations from a negative to positive evaluation rating, or(3) Rated it improved but still unsatisfactory. Certain types of infrastructure (communications, water service) fell into category (1), Logistic infrastructure, certification systems for government standards,

training programs for engineers in human resource development, response to trade liberalization (reduction of tariffs for material imports, removal of export interference), establishment and operation of export processing zone, and facilitation of customs procedures fell into category (2). Legal systems and operations, human resource development other than training programs for engineers, and industry and trade promotion policy (financial support and tax incentive) fell into category (3). On the other hand, electricity supply infrastructure was rated as having shown little improvement, and respondent saw reform efforts as having little real effect.

In summary, effective reform can be seen in many areas, especially in infrastructure development and trade related items. However, human resource development services other than training for engineers and industry and trade promotion are still rated poorly although there has been some improvement in the satisfaction level with these programs.

Table 6-18 Evaluation of policy measures to support export

			Satisfaction level further improved	Changed from negative evaluation to positive evaluation	Improved but still unsatisfied	Unchanged
Evaluation of The Government's Export Promotion Measures	Improvement of legal systems				◎	
	Infrastructure building	Logistics		◎		
		Electricity				◎(+)
		Communication	◎			
		Water Supply	◎			
	Standard certification system			◎		
	Human resources development	Elementary and secondary education			◎	
		College/University education			◎	
		Vocational education			◎	
		Training programme for engineers		◎		
	Industrial and Trade development policy	Financial support			◎	
		Tax preferences			◎	
	Response to the trade liberalization	Reduction of import tariffs for raw materials		◎		
		Reduction of obstacles for foreign export		◎		
	Establishment and operation of the export processing zone			◎		
	Efficiency of the customs procedure			◎		

Note: 1. T-evaluation using SPSS 13.0J for Windows

2. Evaluation samples are only for companies established before 2000.

3.◎(-) indicates that the average score was below three and the sample did not improve after four years.

4.◎(+) indicates that the average score was above three and the sample did not improve after four years.

Source: The author makes the table according to the research.

The evaluations of trade related services provided by government and industry organization were compared in Table 6.19. As for the evaluation of government-provided trade-related services, no services fell into category (1) (Improve satisfactory rating). Training seminars about production, and the provision of information about product development and marketing fell into category to(2) (Shifting negative to positive evaluation). All three programs dealing with individual consulting about manufacturing and product development, individual consulting about marketing and training seminar, and trading business fell into category(3) (Remain in unsatisfactory condition in spite of

improvement) On the other hand, the provision of information about production, training seminars for product development, and marketing fairs and exhibitions were all rated as having had little improvement. Among these, the provision of information for manufacturing and the training seminar for manufacturing averaged ratings of less than three points, and seem to remain in unsatisfactory condition. In summary, although there are some positive evaluations, because there are many unsatisfactory items including some which remained below average and saw little improvement, the overall evaluation of government-provided trade-related services is low.

As for the evaluation of trade related service by private sectors such as industry organization, no services fell into category(1) (Improved satisfactory rating). Other than marketing fairs and exhibition, all items fell into category(2) (Shifted from a negative to positive evaluation). There were no items in category (3) (Remains in unsatisfactory condition in spite of improvement). Marketing fairs and exhibitions were judged as having had little effective improvement and on average were rated below three points . In summary, all items except marketing fairs and exhibitions received positive evaluations, and thus the overall evaluation of these services has improved.

While many government-provided services received poor evaluations, most private services provided by industry organizations were evaluated positively, and more highly evaluated overall. Thus private-sector services are comparatively well-rated

Table 6-19 Evaluation of trade-related service provided by governments and the local business groups.

			Satisfaction level further improved	Changed from negative evaluation to positive evaluation	Improved but still unsatisfied	Unchanged*
Evaluation of trade-related services for companies by the government	Production	Individual counseling, Consulting			◎	
		Training, Seminar		◎		
		Provision of information				◎(－)
	Product development	Individual counseling, Consulting			◎	
		Training, Seminar				◎(－)
		Provision of information		◎		
	Marketing	Individual counseling, Consulting			◎	
		Training, Seminar			◎	
		Trade Fair, Exhibition				◎(＋)
		Provision of information		◎		
	Trading business	Individual counseling, Consulting			◎	
		Training, Seminar			◎	
		Provision of information			◎	
Evaluation of Trade-Related Services for Companies by the Business Sector	Production	Individual counseling, Consulting		◎		
		Training, Seminar		◎		
		Provision of information		◎		
	Product development	Individual counseling, Consulting		◎		
		Training, Seminar		◎		
		Provision of information		◎		
	Marketing	Individual counseling, Consulting		◎		
		Training, Seminar		◎		
		Trade Fair, Exhibition				◎(－)
		Provision of information		◎		
	Trading business	Individual counseling, Consulting		◎		
		Training, Seminar		◎		
		Provision of information		◎		

Note: 1. T-evaluation using SPSS 13.0J for Windows

2. Evaluation samples are only for companies established before 2000.

3.◎(-) indicates that the average score was below three and the sample did not improve after four years.

4.◎(+) indicates that the average score was above three and the sample did not improve after four years.

Source: The author makes the table according to the research.

6.5 Thai capacity development in trade and evaluation of support from Japan

6.5.1 Social capacity building path and development stages

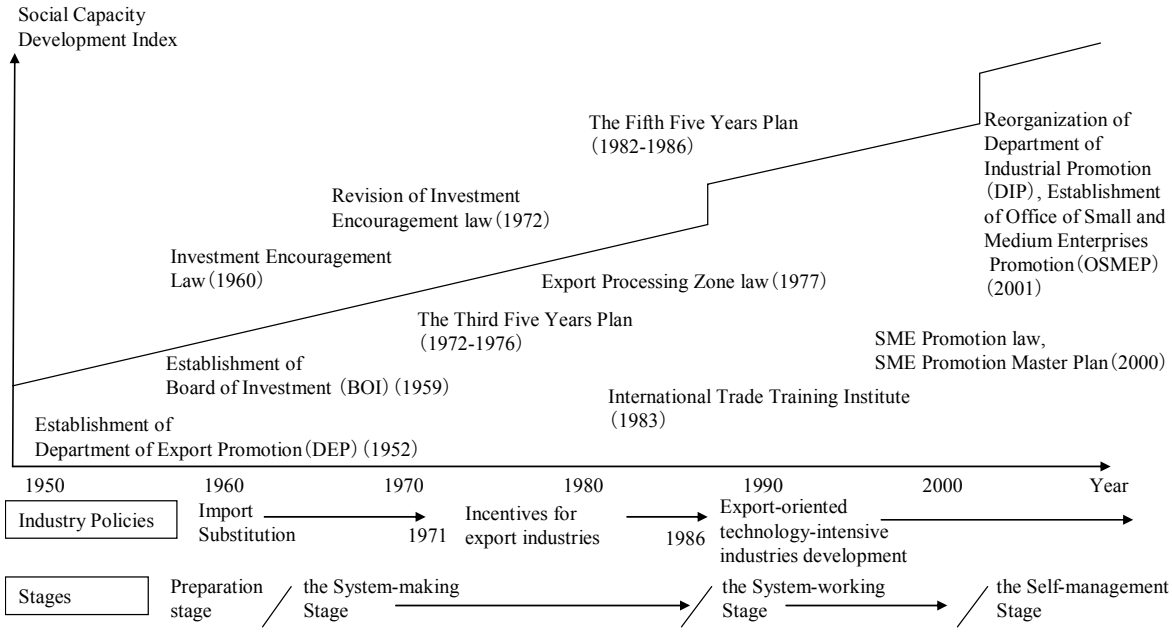
Here we discuss development path of trade social development and development stage.

(1) Historical assessment based on development stage analysis
(2) Assessment of social capacity based on actor/factor analysis
(3) Analysis on cause-effect relation between socio-economic development level and export performance as basis for the discussion on social capacity development

Figure 6.14 shows Thailand's social capacity development path based on the analysis of the government and the firms sectors. Thailand has steadily advanced social capacity development in both the government and the firms sectors. Thailand advanced from the system-making to the

system-working stage in its economic development in the1990s and is shifting into the self-management stage in 2000s.

Figure 6-14 Thai social capacity development in trade-related field



Source: Field interview and other documents

Table 6-20 Social capacity development in the trade related area

(Government capacity and the relationship between Government and Enterprise)

Capacity Factors	Check items of capacity evaluation	Thailand	
		1980	2005
Policies and Measures (P)	Medium and long-term plan-making (National development plan) on industry and trade	✔	✔
	Establishment of basic laws on export promotion	✔	✔
	Establishment of basic laws on SMEs promotion		✔
	(Relationship between the government and enterprises) Dialog and meeting between the government and enterprises		✔
Human, financial and physical resources in organization (R)	Establishment of export promotion organization	✔	✔
	Establishment of overseas office of export promotion organization	✔	✔
	Establishment of SMEs promotion organization		✔
	Self-management organization		✔
Knowledge and skills (K)	Publication of statistics		✔
	Publication of trade white paper		
	Publication of annual report by export promotion organization		✔

Note 1. Cells are checked when items are achieved.

Source: the author

The relationship between the government and enterprises (including economic organizations) seems to have kept a certain standard. The joint acceptance and dispatch of missions by FTI, DEP, and BOI has brought the results.

Regarding to the development of capacity factors in the governmental sector, legal and policy infrastructure ("P" factor) were basically formulated until mid-80's. Organizational infrastructure ("R" factor) including ministry of commerce, ministry of industry, DEP and OSMEP has been steadily developed as well.

In terms of the enterprise sector, the capacity standard and growth of all three factors, which have not come up to those of Malaysia, shows the favorable transition. It is conceivable that, in addition to the inducement of FDI, indigenous manufacturing industries (both large companies and SMEs) became facilitating factors that reflect the impact of "knowledge/skill factors" on other two factors. The approximate enrollment ratio of secondary education which was adopted as a proxy variable of "knowledge/skill ("K" factor") shows the significant growth. It is presumable that the capability of improving the potential capacity is increasing because the role of the secondary education in the capacity development of manufacturing field is important. Major business group such as FTI can also play a significant role in advising policy recommendation to the government as well as in providing consultancy services to individual business.

Table 6-21 Social capacity development in the trade related area

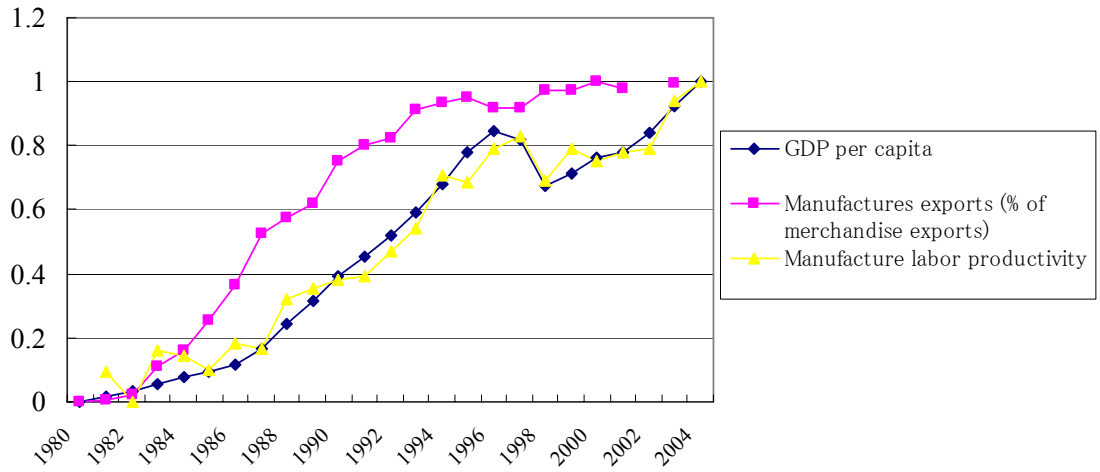
	Policies and measures (P) (Labor productivity of manufacture industry constant 2000 US$)	Human, financial and physical resources in organization (R) (Ratio of employees in manufacture industry to employees in total, %)	Knowledge and skills (K) (Enrollment rate of secondary education, %)
Thailand	4,842 (1981)	7 (1981)	29 (1980)
	10,052 (2004)	15 (2004)	81 (2002)

Source: the author

Figure 6.15 shows the process of social capacity development as Total System. Social capacity is gauged by the measurement of labor productivity in the manufacturing sector. GDP per capita is used to measure social economic status, and to measure trade performance, the proportion of manufacturing goods in all export is used.

From the perspective of the Total System, the development process of social capacity is as shown in figure 6.15. Similar to the process in Malaysia, we can see export expansion realized social capacity development and socio economic level in Thailand.

Figure 6-15 Total System Indexes measuring the social capacity development

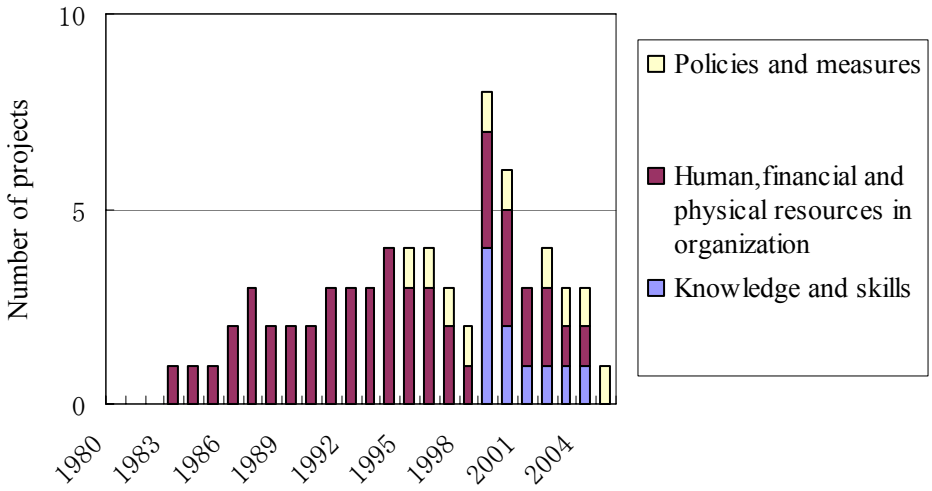


Source: The author

6.5.2 JICA's contribution to Thai social capacity development

We discuss how JICA's aid inputs have contributed to social capacity development of the government. Figure6-16shows chronological inputs of JICA's aid by the social development factors. The number of the projects is classified into the factors and summed up annually.

Figure 6-16 ICA's assistance inputs in Thailand by development themes by capacity factor



Source : the author

Table 6-22 shows detailed input of the projects.

Table 6-22 Thai social capacity development stages and JICA's support

Capacity factor	Development themes	Name of projects	1980	1985	1990	1995	2000
Policies and measures (P)	Establishment of trade-related legislation	Capacity Building Program on the Implementation of the WTO Agreements					
	Promotion and development of SMEs, supporting industry and industry	Promotion and Development of industry sector					
		Promotion and Development of industry sector (Supporting industry)					
		Development of Consulting Service for Thai SMEs Cluster and Regional Development					
	Establishment of Industry-related legislation	Industrial Standards and Testing and measurement System Development Study					
		SMEs Promotion Support					
		Management consulting of SMEs					
Human, financial, and physical resources in organization (R)	Assistance for trade center	Trade Training Center					
		Trade Training Center (Follow-up)					
	Promotion of SMEs, supporting industry and industry	Metal Processing and Machine Industry Development					
		Industrial Standardization Test Training Center					
		National Computer and Software Training Center					
		North Ceramic Center					
		Increase of Productivity					
		Institution-building of SMEs' management consulting					
		Improvement of mold technology					
		Industrial Standardization Test Training Center (Aftercare study team)					
Knowledge and skills (K)	Acquisition, analysis and release of industry-related information	Industrial Property Information Center					
		National measurement standard institution					

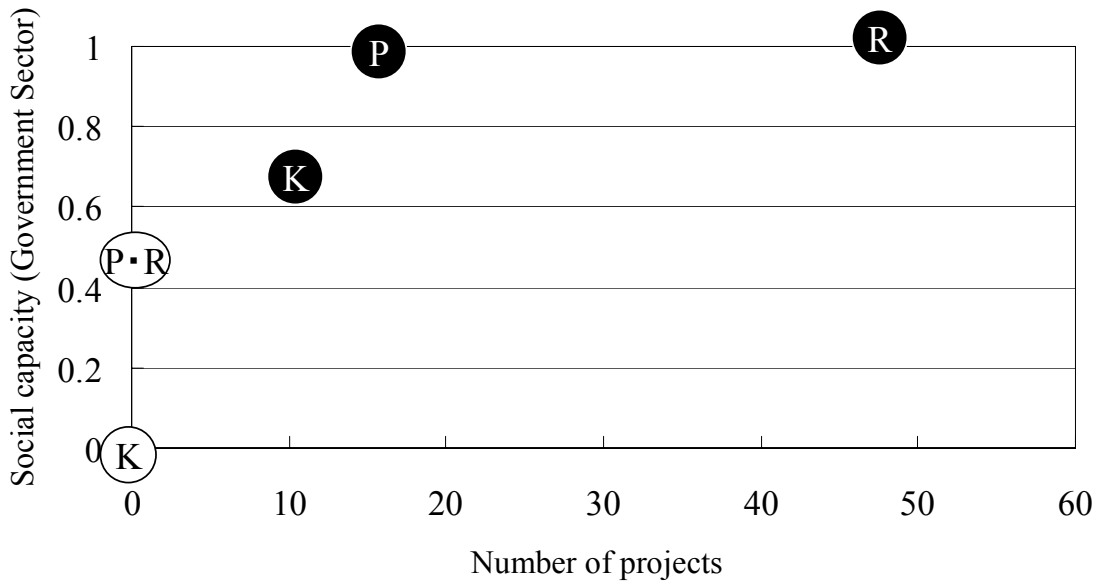
Source: The author

Considering the implication by Figure 6.20 and table 6.22, we can easily understand the situation of JICA's contribution, which is summarized in figure 6.17. It depicts the number of the projects in horizontal axis and social capacity (government) in vertical axis to illustrate transition of the capacity development factors from 1980 to 2005. The number of the project is in each year based on the categories in accordance with relevant capacity factors. The social capacity level is mapped based on the implementation of the government policy (fully-implemented=1, no implementation=0).

As a result in the case of Thailand, the more inputs it has received, the more developed it has

achieved. “K” factor is in relatively less developed since there were small inputs. It has achieved higher growth rate, which is similar to Indonesia.

Figure 6-17 Contribution of JICA’s assistance to capacity development of the Thai government



Note 1. P indicates policies/measures factors; R indicates human, financial, and physical resources in organization factors; and K indicates knowledge/skills factors.

Note 2. ○ indicates the capacity level as of 1980; and ● indicates the capacity level as of 2005.

Source: The author

6.5.3 Consistency with Thai social capacity development stages

Table 6.23 shows Thailand’s social capacity development stages and JICA’s assistance inputs. During the period from 1980 to the present (2005), Thailand has been in transition from System-making stage to Self-management stage through System-working stage. All JICA’s assistance inputs are shown in the table 6.23.

Table 6-23 Social capacity development stages in Thailand and JICA's assistance inputs

Capacity development stage		System-making Stage	System-working stage	Self-management stage
Policies and Measures（P）	Export-promoting development plan			
	Trade-related legislation (Response to liberalization and facilitation such as WTO)		2	2
	Promotion and development of SMEs, supporting industry and industry	4	2	2
	Establishment of industry-related legislation		4	
Human, financial, and physical resources in organization（R）	Establishment of trade-related organization, Human resource development (such as customs, quarantine and trade finance)			
	Assistance for Trade Center (Export-support, information, training for private companies)	7		
	Promotion of SMEs, supporting industry and industry	16	26	2
	SMEs promotion organization			
Knowledge and skills（K）	Acquisition, analysis and release of trade-related information (such as statistics) and skills			
	Acquisition, analysis and release of industry-related information (such as statistics) and skills		7	3
Support for south-south cooperation				

Note. The numbers are the total number of projects

Source: the author

Overall, it seems that necessary assistance has been sequentially provided as done in Malaysia. Specifically speaking, in the 1980s, along with the expansion of export orientation, the assistance inputs to the International Trade Training Center (ITTC, currently International Trade Training Institute (ITTI)) started. Then, several feasibility studies and technical cooperation projects for the promotion of industry, SME, and supporting industry was conducted. During the transitional period from system-working stage to the self-management stage, JICA provided support programs related to policies and measures such as assistance for WTO capacity building, Development of Consulting Services to Promote SME Cluster and Regional Development, Thai measurement and standards organization project.

6.5.4 Consistency with Thai development policy and the cooperation of JICA with other Japanese agencies

After the 1980s, in addition to export orientation, industrialize policy emphasized not only foreign direct investment but also a social infrastructure development plan and a domestic industry promotion policy in order to advance domestic industry. As for export promotion policy, the

enhancement of measures promoting export production became the main objective in 1983. It is thought that the Trade Training Center was introduced at the right time. The Thai government adhered to a fundamental policy of "Enhancement of international competition by liberalization" during the period of high economic growth from latter half of 1980s to 1995, and the support given by JICA which was associated with coalition with Japanese other organizations, designed to be consistent with Thai policy.

Japanese support was fully in progress when ASEAN co-operation projects were begun by JETRO in 1982. Technology transfer to regional enterprises and exhibitions focusing on metal processing technology and the plastic molding industry were conducted by AC projects. From 1986, JICA conducted metal processing and mechanical industry development projects associated with this project.

In 1987, Japanese Ministry of Trade, Economic and Industry (METI) suggested the New Aid Plan aiming at "Fostering export industry trade by a trinity of tirade, investment and economic cooperation," and total 6 categories of business: molding, toys, textile garment, wood furniture, plastic processing, and ceramics, were the objects of this plan. JICA conducted industry development research concerning these categories of business, which lead to concrete support by organizations such as JICA and JETRO.

In the 1990s, developing countries such as China began to catch up economically by focusing on labor-intensive industry. In response to this, support for supporting industry was emphasized in the "ASEAN industry advancement vision" (1993) produced by METI. Support for fostering of supporting industry (SI) by JETRO, together with promotion and development plan in the industry field (supporting industry) by JICA, began in 1994. Reflecting on these industrial agglomerations, support for the SI in Thailand has been targeted at six industries (mold, metal mold, press work, precision machining, machine work, and coating), more than in any of the other three targeted countries.

6.6 Lessons leaned and recommendations

(1) Program-based aid

Japanese support has proved to be an essential and effective pillar of the, trinity of support, trade, and investment called for in Thai policy. In this context, like in Malaysia, such support can be now regarded as one consistent "program."

A series of “SME promotion programs”, which was built up based on the feasibility study in the mid-1990s, had comprehensiveness in terms of the promotion of SMEs. However, the program did not provide enough cooperation with the export-promoting agencies such as DEP and ITTI in terms of the export promotion. From this time, in order to effectively provide support in developing countries, it is important to promote “program-based aid” in advance, and it is useful to refer to the experience in Thailand.

(2) Strategic position of cooperation in trade areas：Application of experiences in East Asia to other developing countries：CLMV countries ,the African region

Although Thailand has promoted South-South cooperation in agriculture and healthcare, cooperation in trade-related area is not actively pursued. Considering cooperation with CLMV and African countries, export oriented agro-industry is important field. Thailand has capability to provide overall assistance to those countries since Thailand has ample experience in the field.

It is important for JICA and Japanese support organizations to apply the experience of the “trinity” in East Asia to the support of developing countries.

Chapter 7

Chapter7 Evaluation, lessons learned and recommendations

7.1 Evaluation of Japan's cooperation in trade related areas

7.1.1 Social capacity development stage and its consistency with JICA's aid in trade sector

Here we discuss development path of trade social development and development stage targeted four countries.

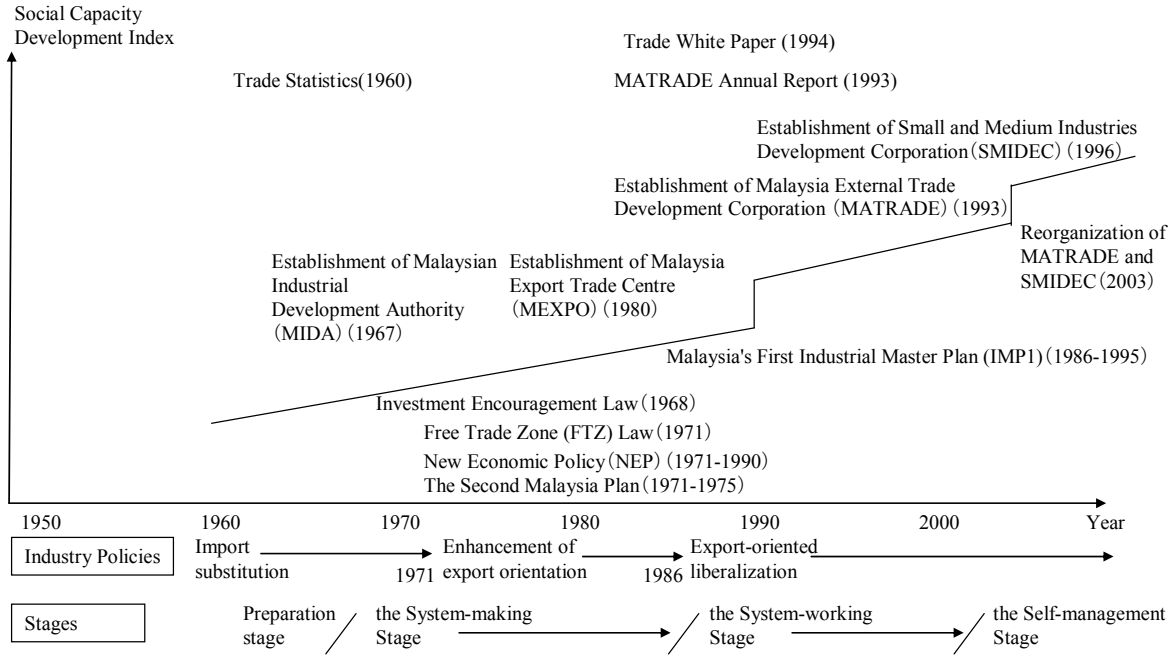
(1) Historical assessment based on development stage analysis
(2) Assessment of social capacity based on actor/factor analysis
(3) Analysis on cause-effect relation between socio-economic development level and export performance as basis for the discussion on social capacity development

Firstly, the development stages in trade-related social capacity of the four countries, described in the chapter 3 to 6, will be examined.

In each country, legal and juridical system development for export promotion and organization development have begun since the early or mid 1960's. Thailand and Malaysia moved into the System-Working Stage in the latter half of the 1980s, and after the year 2000, they shifted into the autonomous stage, being able to restructure organization according to environmental changes (Figure 7.1, Figure 7.2.)

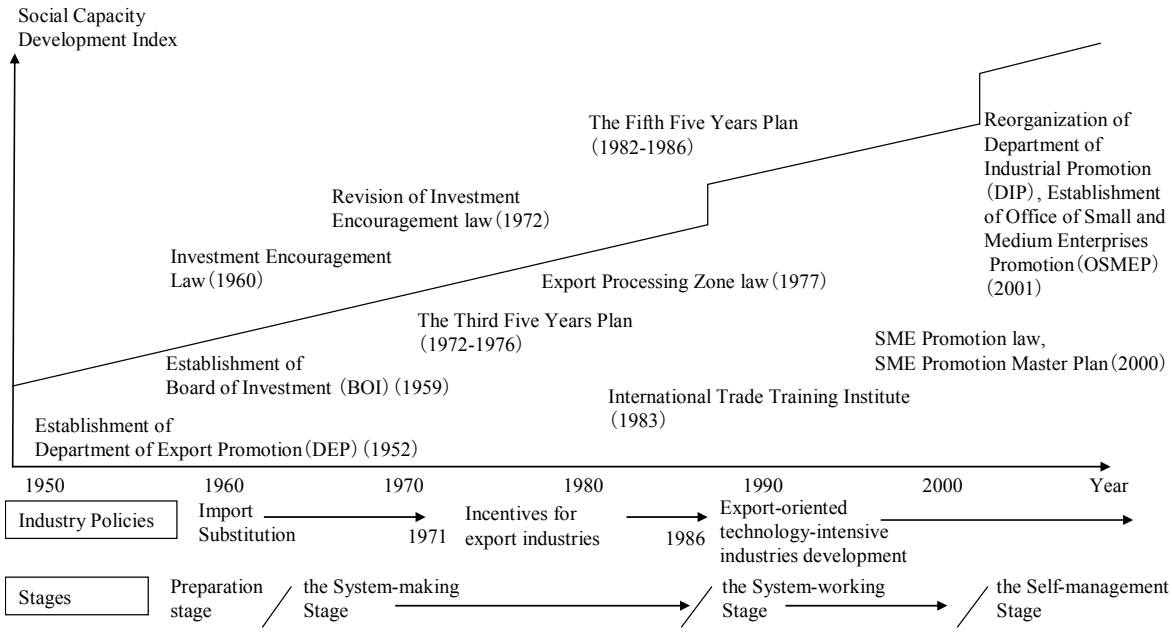
On the other hand, Indonesia and the Philippines moved into the late System-Working Stage at the mid 1990s. However, Indonesia, affected by its currency crisis in 1997, needed to re-construct the system. Especially the government-sector, affected by the decentralization, needed to reconstruct the system. It can be said that Indonesia is, in fact, still reconstructing its system. The Philippines lacks export promotion capacity in the government sector. Therefore, the productivity in the enterprise sector lacks strong growth. Although formal development such as in the legal system has been completed, it has not directly related to export growth. The Philippines remains at the early stages of the System-Working Stage (Figure 7.3, Figure 7.4.)

Figure 7.1 Malaysia's social capacity development in trade-related field



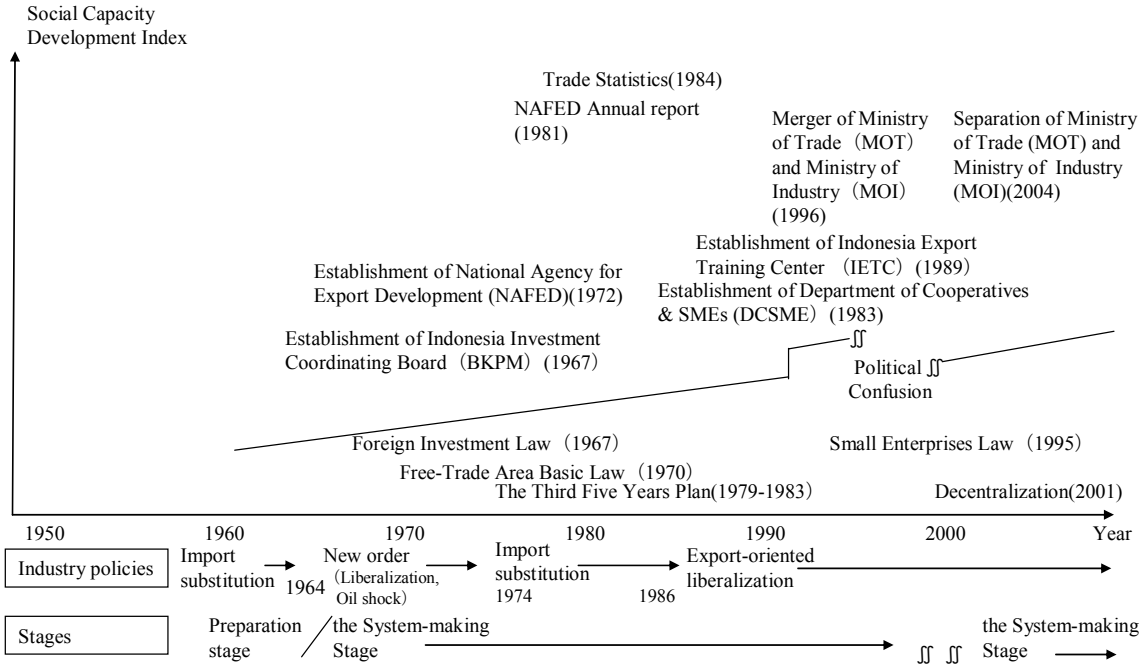
Source: The author based on an interview survey and several documents

Figure 7.2 Thailand's social capacity development in trade-related field



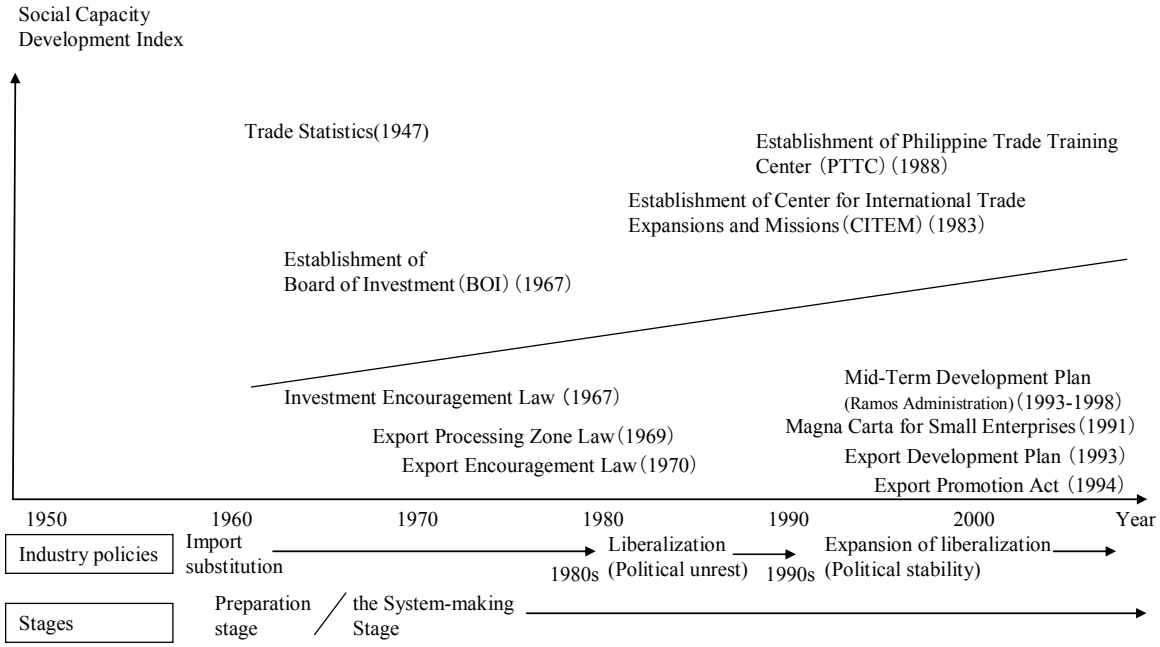
Source: The author based on an interview survey and several documents

Figure 7.3 Indonesia's social capacity development in trade-related field



Source: The author based on an interview survey and several documents

Figure 7.4 Philippine social capacity development in trade-related field



Source: The author based on an interview survey and several documents

It is important to understand the root cause of acceleration/hindrance in capacity building, which

brought about the difference of capacity development in the four countries from 1980 to 2005 (**Table 7.1**). We will analyze the root cause with Actor Factor Matrix Framework. We will use Check List based on evaluation items.

Table 7.1 Social capacity development in trade in the four targeted countries
(Capacity of the government sector and government-business relationships)

Capacity Factors	Check items of capacity evaluation	Indonesia		Malaysia		Philippines		Thailand	
		1980	2005	1980	2005	1980	2005	1980	2005
Policies and Measures (P)	Medium and long-term plan-making (National development plan) on industry and trade	✔	✔	✔	✔	✔	✔	✔	✔
	Establishment of basic laws on export promotion	✔	✔	✔	✔	✔	✔	✔	✔
	Establishment of basic laws on SMEs promotion		✔				✔		✔
	(Relationship between the government and enterprises) Dialog and meeting between the government and enterprises		✔		✔		✔		✔
Human, financial and physical resources in organization (R)	Establishment of export promotion organization	✔	✔	✔	✔		✔	✔	✔
	Establishment of overseas office of export promotion organization	✔	✔		✔			✔	✔
	Establishment of SMEs promotion organization		✔		✔		✔		✔
	Self-management organization				✔				✔
Knowledge and skills (K)	Publication of statistics		✔	✔	✔	✔	✔		✔
	Publication of trade white paper				✔				
	Publication of annual report by export promotion organization		✔		✔				✔

Note 1. Cells are checked when items are achieved.

Source: the author

Each courtiers' government sector has attained the benchmark in "policy and measure factor ("P" factor)" (Mid-term trade and industrial policy "National Development Plan" and Export promotion and SME promotion act). In contrast, there is a huge gap between Malaysia/Thailand and Indonesia/Philippine in "human, financial and organization factor ("R" factor)" (Export promotion agency, SME promotion agency, flexible organizational changes) and "knowledge and skill factor ("K" factor)" (Publication of statistics books, white papers and annual reports).

In "human, financial and organization factor ("R" factor)", Indonesia fails to achieve flexible organizational changes and the Philippine has a weak export promotion agency (CITEM dose not

have overseas offices). Malaysia and Thailand have stable government agencies and reorganize them according to adapt changing environments. Then, the organizations have developed “knowledge and skill factor (“K” factor)” capacity, which fostered “policy and measures factor (“P” factor)” capacity building. On the other hand, in Indonesia, frequent mergers and separations of government agencies and the rapid decentralization brought down confusion. In the Philippines, due to the human and financial constraints, policy and plans were not implemented fully. In both countries, the stagnation of “human, financial and organization factor (“R” factor)” development disturbs other two capacity factors development.

In “knowledge and skill factor (“K” factor)”, each county achieves high-standard statistical publication. However, there is a huge gap between Malaysia/Thailand and Indonesia/Philippine in publications of related white papers and annual reports. To publish white papers and annual reports requires strategic judgment capacity in which the difference of two groups lies.

In the relationship between the government and the corporate sector, each country reached a certain level. In Indonesia, where the former KADIN head acceded to a post of coordinating minister for economic affairs, the relationship between the government and the private sector has been strengthened. In the Philippine, in 1994 Export Development Council, which consisted of both the government sector and the private sector, was established. The council functions as a receiver of policy recommendation from the private sector. Industrial federations in Malaysia and Thailand have a strong influence on policy-making. In Malaysia, MATRADE was established as recommended by IMM. In Thailand, FDI, DEP and BOI jointly hold mission of acceptance/dispatch.

For the business sector, Malaysia shows development of three factor capacities, following Thailand and Indonesia. On the contrary, the Philippine, which showed an excellent initial condition, sees sluggish development. The Philippine achieves top-level result in “knowledge and skill factor (“K” factor)” (Secondary school enrolment rate). However, this achievement is not connected to “human, financial and organization factor (“R” factor)” capacity development and “policy and measurement factor (“P” factor)” (substituted for labor productivity) has not been developed fully. On the contrary, in other three countries, FDI enticement functioned to reflect “knowledge and skill factor (“K” factor)” on other two factors. In addition, in Thailand, the presence of local conglomerates and SMEs, which were active in export, also fostered other factor’s capacity development.

Table 7.2 Social capacity development in trade in the four targeted countries

(Capacity of the business sector)

	Policies and measures（P）（Labor productivity of manufacture industry constant 2000 US$)	Human, financial and physical resources in organization（R）（Ratio of employees in manufacture industry to employees in total, %)	Knowledge and skills（K）（Enrollment rate of secondary education, %）
Indonesia	1,628 (1981)	8 (1981)	29 (1980)
	3,932 (2003)	13 (2002)	61 (2002)
Malaysia	10,316 (1981)	15 (1982)	48 (1980)
	16,935 (2004)	21 (2004)	70 (2002)
Philippines	6,754 (1981)	10 (1981)	64 (1981)
	6,507 (2004)	10 (2004)	84 (2002)
Thailand	4,842 (1981)	7 (1981)	29 (1980)
	10,052 (2004)	15 (2004)	81 (2002)

Source: the author

In terms of Total System, it can be said that socio-economic status follows the same trend as the corporate export capacity development. Malaysia, Thailand and Indonesia showed steady development of socio-economic condition. Meanwhile, the Philippine, in spite of the excellent initial condition, saw sluggish growth and then were out paced by Thailand. Currently, Indonesia is coming from behind. Therefore, it can be concluded that corporate capacity development and socio-economic status have affected each other.

7.1.2 Contribution of JICA's assistance to social capacity development

This section evaluates how JICA assistance contributed to capacity development in the four countries. By analyzing Table 7.1 (Social capacity checklist in the trade field (Thailand)) and Table 7.2(Thailand's social capacity development and JICA's assistance input), contribution of JICA's assistance will be identified.

Thailand and Malaysia show a similar pattern. Although the volume of assistance was not huge, each social capacity are evaluated as "A". It means that both countries developed their capacity in a well-balanced way. In addition to assistance, the efforts of governments, local enterprises and foreign enterprises contributed to the development.

In Malaysia, assistance focused mainly on "policy and measures factor" and its capacity was developed most in "human, financial, and organization resources factor". On the contrary, in Thailand, capacity in "knowledge and skill factor" category was fully developed.

In Indonesia, social capacity in certain factors, in which assistance was input most, was more developed. Assistance was input in “policy and measure factor”, in which capacity was developed relatively well. On the contrary, in “knowledge and skill factor” where few assistance was input, social capacity was not fully developed. Capacity development in “human, financial and organization factor” was located at the mid point.

In the Philippine, each of the three factors shows a different pattern. In “policy and measure factor”, where relatively much assistance was input, social capacity was developed to a certain level. In “human, financial and organization factor”, where less assistance was input, social capacity remained low. Relatively less assistance was input in “knowledge and skill factor” where social capacity development advanced most.

7.1.3 Social capacity development stage and its consistency with JICA's aid

Based on the social capacity development stage analysis of the four countries, we will evaluate consistency of JICA assistance with the social capacity development stages in the four countries. JICA assistance will be classified into two categories based on the characteristics of assistance inputs in hindsight; “additional input” assistance and “sequential input” assistance. These two types are referred to as a hint to evaluate consistency of JICA’s assistance.

In the first type, the focus of assistance will shift according to social capacity development stages and following assistance will be implemented. Among object countries, Malaysia and Thailand are categorized in this type, and JICA’s assistance towards Malaysia and Thailand are evaluated to be consistent with their development stages. In Malaysia, JICA implemented industrial development assistance from the system-making stage to the system-working stage, and then it implemented trade promotion assistance (MATRADE) in the system-working stage. Subsequently, it started assistance for enhancing trade institutions in Malaysia’s self-sustainable stage. In Thailand, assistance for industrial development and trade institution enhancement was implemented in the same manner as in Malaysia. With regard to the trade training center project, it was implemented in the system-making stage.

The second-type is, due to the insufficient development of social capacity building, one in which various types of assistance are implemented at the same time at a certain stage. This type is called “additional input” assistance. Indonesia and the Philippine are considered to be the second type. These two countries have not sufficiently developed their social capacity; therefore, concentrated inputs have been seen as total efforts of both the countries themselves and development assistance in

order to move their capacity development stage to the system-working stage.

Examining consistency of JICA's assistance with social capacity development stages in hindsight, it can be concluded that "sequential input" assistance implemented in Malaysia and Thailand seems to have been more desirable in terms of efficiency and ensuring ownership. However, it is more fit in with the reality to say that efficient assistance has been possible because those countries have had strong ownership. In the cases of Indonesia and the Philippines, JICA's assistance has been consistent with development stages in a sense that it has been in line with the reality of the countries. However, more efforts are required to promote self-help efforts of developing countries and facilitate capacity development based on their ownership.

Table 7.3 Social capacity development stages and JICA's assistance inputs

Malaysia （sequential input）

Capacity development stage		System-making Stage	System-working stage	Self-management stage
Policies and Measures (P)	Export-promoting development plan			
	Trade-related legislation (Response to liberalization and facilitation such as WTO)		2	2
	Promotion and development of SMEs, supporting industry and industry	5	3	2
	Establishment of industry-related legislation			
Human, financial, and physical resources in organization (R)	Establishment of trade-related organization, Human resource development (such as customs, quarantine and trade finance)			
	Assistance for Trade Center (Export-support, information, training for private companies)		3	
	Promotion of SMEs, supporting industry and industry	15	1	
	SMEs promotion organization			
Knowledge and skills（K）	Acquisition, analysis and release of trade-related information (such as statistics) and skills			
	Acquisition, analysis and release of industry-related information (such as statistics) and skills			
Support for south-south cooperation				

Thailand （sequential input）

Capacity development stage		System-making Stage	System-working stage	Self-management stage
Policies and Measures (P)	Export-promoting development plan			
	Trade-related legislation (Response to liberalization and facilitation such as WTO)		2	2
	Promotion and development of SMEs, supporting industry and industry	4	2	2
	Establishment of industry-related legislation		4	
Human, financial, and physical resources in organization (R)	Establishment of trade-related organization, Human resource development (such as customs, quarantine and trade finance)			
	Assistance for Trade Center (Export-support, information, training for private companies)	7		
	Promotion of SMEs, supporting industry and industry	16	26	2
	SMEs promotion organization			
Knowledge and skills（K）	Acquisition, analysis and release of trade-related information (such as statistics) and skills			
	Acquisition, analysis and release of industry-related information (such as statistics) and skills		7	3
Support for south-south cooperation				

Source : The author

Table 7.3 Social capacity development stages and JICA's assistance inputs

（continued from previous page）

Indonesia （additional input）

Capacity development stage		System-making Stage	System-working stage	Self-management stage
Policies and Measures (P)	Export-promoting development plan	2		
	Trade-related legislation (Response to liberalization and facilitation such as WTO)	13		
	Promotion and development of SMEs, supporting industry and industry	24		
	Establishment of industry-related legislation	4		
Human, financial, and physical resources in organization (R)	Establishment of trade-related organization, Human resource development (such as customs, quarantine and trade finance)	1		
	Assistance for Trade Center (Export-support, information, training for private companies)	22		
	Promotion of SMEs, supporting industry and industry	8		
	SMEs promotion organization	0		
Knowledge and skills (K)	Acquisition, analysis and release of trade-related information (such as statistics) and skills	9		
	Acquisition, analysis and release of industry-related information (such as statistics) and skills	0		
Support for south-south cooperation		0		

Philippines （additional input）

Capacity development stage		System-making Stage	System-working stage	Self-management stage
Policies and Measures (P)	Export-promoting development plan	1		
	Trade-related legislation (Response to liberalization and facilitation such as WTO)	4		
	Promotion and development of SMEs, supporting industry and industry	10		
	Establishment of industry-related legislation	7		
Human, financial, and physical resources in organization (R)	Establishment of trade-related organization, Human resource development (such as customs, quarantine and trade finance)			
	Assistance for Trade Center (Export-support, information, training for private companies)	8		
	Promotion of SMEs, supporting industry and industry	30		
	SMEs promotion organization			
Knowledge and skills (K)	Acquisition, analysis and release of trade-related information (such as statistics) and skills	2		
	Acquisition, analysis and release of industry-related information (such as statistics) and skills	5		
Support for south-south cooperation				

Source : The author

The evaluation of “trade center” assistance in each country is, however, not necessarily consistent with the whole evaluation result. In the Philippine, it was limited to “trade training center” assistance. On the contrary, in Indonesia, it developed into “export promotion” and in Malaysia, it functioned as “export promotion agency” assistance.

Trade training sessions, which is held collectively, have no choice than targeting general audience. Enterprises tend to seek practical business advise and specific consulting. Chambers of commerce or industrial organizations can offer general collective trainings. The needs of government provided training center get smaller as export capacity of enterprises or capacity of related agencies and organizations develops. And the needs of more practical export support service such as market information service, business fair support and matching, get bigger. Therefore, when either or both enterprises and related agencies and organization dose not fully develop its capacity, “trade training center” assistance has have a certain meaning. In three countries except Malaysia, “trade training center” assistance was implemented at the System-Making Stage. Therefore, JICA’s assistance was appropriate.
To develop social capacity in broad area, export support service for enterprise is needed. Therefore, it can’t be denied that if direct assistance toward export promotion agencies in each country was implemented, social capacity would be developed more effectively.

From now, “trade center” is expected as training-base for least developed countries. With JICA’s assistance, Malaysia’s MATRADE and Indonesia’s IETC are collaborating with African countries. Thai ITTI accepts trainees from ASEAN countries. These new developments are evaluated highly.

7.1.4 Coherence with superior policies and partnership between JICA's and other agencies

Japan has engaging in international cooperation, “the trinity” of aid, trade and investment. This strategy is meant to improve the investment climate, which fosters foreign firms investment, and to promote export. Ultimately this strategy leads to contribute toward the economic growth of developing countries. For example, economic infrastructure development cooperation in areas such as roads, railways, ports, airports, transport/communication and power, contributes to improvemnetn in the investment climate improvements. In addition, training for engineers and managers by AOTS and JICA, and a human development program by expert dispatch programs contribute to “human development" in the trade area of developing countries. In such international cooperation, policy initiatives by METI (and MOFA) comprise the largest part. Its historical development can be

summarized as follows[58].

(1) In the early 1980s: to help export industrialization through ASEAN cooperation programs.
(2) In the Mid 1980s to the early 1990s: In order to industrialize ASEAN countries with a "new aid plan", an economic cooperation package with a combination of aid, direct investment and imports, was formulated and implemented.

The policy was implemented in the following order: (a) Cooperation request and industrial location study (b)Industry promotion development plan studies (c) Expert dispatch in invest-related field. However it was difficult to support such a large issue as the industrialization of ASEAN countries, solely through above-mentioned technical assistance programs.

(3) From 1993 to 1997: to implement cooperation to promote ASEAN market integration and regional specialization, targeting mainly supporting industries. The objective of the scheme was not industrialization per se but industrial advances.
(4) After the currency crisis: To mainly develop institutions for supporting small and medium-sized firms.

These programs were implemented through "the cooperation trinity of aid, trade and investment". One may conclude that JICA's assistance was consistent with high order policies. In addition, as its objective is CD in a broader sense, it can be concluded it was consistent with the concept of ODA Charter. As analysis in 7.1.1, since the late 1980s, Malaysia/Thailand and Indonesia/the Philippine were at the different development stages. Assistance programs were implemented flexibly in accordance to the each country's development stage, although it can't denied that the same assistance framework was put on the four countries.

The sharing of roles among JICA, JETRO, JODC and AOTS is shown in
Table **7.4** to Table 7.6.
In
Table **7.4**, the sharing of cooperation roles in capacity development for the government sector will be shown. JBIC had a role in basic infrastructure development through the yen loan (there was present assistance for infrastructure development in Indonesia and Philippines), and JICA was in charge of "soft" assistance such as institutional development. JETRO was also responsible for supporting trade related policy formulation/implementation. (Export industrialization support, one craft /one village

[58] Maeda (2005) explained as follows: from the 1950's to 1970's, in order to promote export from Japan, tied yen-loans were provided mainly to industry projects in Asia. This stage is called "arch-type". From the late 1970's to the early 1980s, "arch-type" lost its status to "mid-term objective paradigm" promoted by MOFA and MOF.

movement). Meanwhile JICA was mainly responsible for supporting governmental export promotion service, JETRO also took part in it.

In Table 7.5, the sharing of roles among JETRO, JODC and AOTS in capacity development in small and medium-sized firms will be shown. JETRO, JODC and AOTS were responsible.
Table 7.6 shows roles of cooperation in the capacity development of economic/industrial organizations and the export-promotion industry. This was mainly JETRO's role.

With the above mentioned sharing of roles, the coordination among JICA and other aid related agencies has been effective. Furthermore, in each developing country, the ODA task force among embassies, JICA, JBIC and JETRO is held and the coordination among agencies is strengthening. However, for further development, it is necessary to discuss more effective ways to collaborate instead of sticking to each agency's formulated roles. Especially in developing counties, where social capacity development is not making good progress, such as the Philippines and Indonesia, the new sharing of roles among agencies have to be urgently considered.

In order to solve the problems that arose from the past aid experience, to find a "best-mix" assistance of "G to G" and "G to B" becomes a main trend in international donor community. If the roles and jurisdictions of each agency are fixed, it is difficult to respond the needs of a host country flexibly, due to the institutional constraints (too long preparation period for projects, too short period for experts' deployment etc.). In a country where social capacity is not developed smoothly, such as the Philippines and Indonesia, it is necessary to consider the new channel through which Japan's assistance is input to a private sector. Furthermore, in light of the current jurisdictional and collaborative limitations of each agency, the new role sharing needs to be formulated for the new international cooperation.

Table 7.4 Japan's cooperation for capacity development in the government sector

	JICA	JBIC	JETRO	JODC	AOTS
Establishing Basic Conditions	○	○※1			
Establishment and Implementation of Trade-related Policies	○				
Export support service	○		○		

Note: JBIC implements cooperation with yen loans for infrastructure development. JBIC's cooperation is not exactly for capacity development of the government sector. However, as the host country government involves infrastructure development practices such

as procurements, management, and interim/completion reports, it can be said that capacity development is encouraged through these practices.
Source: the author

Table 7.5 Japan's cooperation for capacity development of small and medium firms

	JICA	JBIC	JETRO	JODC	AOTS
Product Development			○	○	○
Production			○	○	○
Marketing			○	○	○
Trading Business			○	○	○

Source: the author

Table 7.6 Japan's cooperation for capacity building of economic/industrial organization and export-promoted industry.

	JICA	JBIC	JETRO	JODC	AOTS
Proposal for Policy （Only Economic and Industry groups）			○		
Export support service			○		

Source: the author

7.1.5 Consistency with a developing country's development policy

The four countries we evaluated in this report adopted export-oriented industrialization policies by the mid-1980s. More specifically, the governments encouraged investment in export-oriented industries by policy measures such as low-interest policy financing as well as provided subsidies and lowered export-tariffs. In addition, as trade liberalization advanced in the world through the WTO, FTAs, and EPAs, the governments have shifted their focuses from export promotion assistance targeting at individual industries/companies to establishment and improvement of the system and environment to promote capacities in the private sector.

In the meantime, Indonesia and the Philippines, faced with strong competitors such as Malaysia and Thailand in the neighborhood, set the same targets as those advanced developing countries. Such target settings were not only pursued by the local governments themselves but also strategically encouraged by the donors. In that sense, donors' assistance was consistent with development policies of those countries. However, it need to be carefully reviewed whether development policies of

Indonesia and the Philippines themselves were appropriate, taking also into consideration domestic protectionist policies of these countries.

In a country where industrial development has been completed and its national income is relatively high, such as Thailand and Malaysia, social capacity has also been development to a certain extent. Therefore, the focus of the recipient government's policy is to grow high value-added industries based on the already developed social capacity. Accordingly, cooperation and assistance with these countries should focus on the private sector, rather than on the government sector, to promote direct investment and imports. Development assistance to Thailand and Malaysia is already shifting in this direction. Also, these countries are expected to become a center for South-South cooperation toward less developed countries, which is a challenge for these countries. JICA is already considering how to promote South-South cooperation by these countries.

7.2 Lessons learned and recommendations

Based on the above-mentioned analysis, this section will provide recommendations which improves the effect of assistance in cases where "additional input" assistance is chosen. The recommendations will point out that it is important to evaluated social capacity development stage properly, formulate ex-ante programs, actively pursue "G to B" approach and input proper assistance in accordance with host countries' social capacity development.

(1) Toward program-based aid

Based on the evaluation results of Indonesia and the Philippines, JICA's assistance has made contributions to the governments' capacity development to some extent. However, when considering consistency of JICA's assistance with capacity development of the whole society including the business sector, these countries have not been able to reach the system-working stage. Therefore, assistance inputs are required to enhance ownership of the targeted countries. In sum, it is necessary to plan assistance programs that take into consideration comprehensive social capacity development, which is social capacity development that comprises three capacity factors and two actors in this evaluation.

When actually making programs, we need to consider capacity levels that are identified based on the Social Capacity Assessment, and development assistance's timing, quantity, quality, and sequence based on the development stages. Above all, major focus is placed on what kind of assistance is necessary to advance the development stages from the system-making stage to the system-working

stage. After the end of assistance inputs, developing countries themselves are expected to invest resources as required.

The initial period of the system-making stage or the period from pre-system-making stage to the self-management stage may last a few decades; therefore, it is not realistic to expect one program is sufficient. In the four countries from 1980 to 2005, focuses of development assistance shifted from industrial development to include responsive measures for trade liberalization. As seen in such a shift, it is inevitable to change programs in response to the environmental changes. In fact, programs would have mid-term goals such as shift to the system-working stage, covering the period of 5 to 10 years.

On the other hand, here we propose a long-term cooperation program in order to show the overall picture covering from the system-making stage to the self-manegement stage. Based on the evaluation results of the four countries as well as OECD (2001) and JICA (2003), the overview of trade-related cooperation programs in accordance with social capacity development stages is shown in Table S.12. This is taken as a conceptual model as it may not be applied as it is to any countries and regions.

Table 7.7 Cooperation Programs in accordance with social capacity development stages

Social capacity development stage		Preparation stage	System-making stage	System-working stage	Self-management stage
Trade sector					
Policies and Measures（P）	Export-promoting development plan	■			
	Establishment of trade-related legislation (Response to liberalization and facilitation such as WTO)		■	■	
Human, financial and physical resources in organization（R）	Establishment of trade-related organization, Human resource development (such as customs, quarantine and trade finance)		■	■	
	Assistance for Trade Center (Export-support, information, training for private companies)		■	■	
Knowledge and skills（K）	Acquisition, analysis and release of information such as statistics		■		
Support for south-south cooperation					■
Industry promotion sector					
Policies and Measures（P）	Promotion and development of SMEs, supporting industry and industry		■	■	
	Establishment of industry-related legislation		■	■	
Human, financial and physical resources in organization（R）	Promotion of SMEs, supporting industry and industry		■	■	
	SMEs promotion organization		■	■	
Knowledge and skills（K）	Acquisition, analysis and release of information such as statistics		■		
Support for south-south cooperation					■

Note: White are indicates that no imput was implemented. Grey area indicates that input was implemented.

Source: the author

1) Trade related area

In trade related area (in a narrow sense), Master Plan on export promotion should be formulated at the Preparatory Stage. Master Plan is a basic policy for developing social capacity and clarifies areas which require assistance. Master Plan should be formulated in consideration of enhancing enterprises' competitiveness. Based on Master Plan, from the system-making stage to the system-working stage, assistance, which are related with three factors such as "policy and measure" ("P" factors), "human, financial and organization resource" ("R" factors) and "knowledge/skills"("K" factors), should be input. At the system-making stage, assistance for development of trade-related law system (p), organization and human resource development in

customs/quarantine or trade finance agencies (r), statistical data collection/analysis/publishing support (k), should be input.

When capacity building assistance achieves a certain results (this period is considered as the latter part of the System-Making Stage), assistance for development of trade-facilitation law ("P" factors) and establishment of "trade centers" ("R" factors), should be input. As the experience of Thailand shows, to make assistance more effective, assistance toward export promotion agencies should be implemented at the same time. Training Center and export promotion agency should be managed as one entity. Through capacity development in three factors in the government sector, the government becomes able to support capacity development in the private sector. With developing related capacity, enterprises can contribute to the advancement of capacity development. It can be assistance that JICA can newly cooperate with a host country in the following fields; Formulating Master Plan, Promoting participation in law-formulation process, enhancing understanding on the legal system and fostering firms' feedback to services provided by related organizations.

At the early system-working stage, assistance, which was input at the late system-making stage, should be implemented continuously. As the case in Indonesia shows, at the completion of capacity building, extending the scope of trade center projects from the capital to the regions could have larger impacts. When the capacity development stage enters the self-management stage, Japan's assistance should focus on fostering South-South cooperation.

2) Industry related area

In the industry promotion area, at the early System-Making Stage, based on export promotion Master Plan, assistance program for the development of industry-related law system (p) and statistical data collection/analysis/publishing support (k) should be implemented. Next, Master Plan for supporting industry and SMEs promotion should be implemented. Based on Master Plan, assistance for supporting industries and SMEs (p) and support for SME promotion agencies (r) should be implemented. In "policy and measure factor", it is important to promote a wide range of industries. For that purpose, as Table shows, development study and technical assistance should be implemented repeatedly in each industry.

At the System-Working Stage, SME promotion agencies, which developed capacity with past assistance, are able to conduct development study in industry promotion area. As in the trade related area, the rural development of SME promotion agencies should be a next issue. At the Self-Management Stage, South-South Cooperation assistance should be a main focus. It is necessary

to develop capacity of both the government sector and the cooperate sector.

To conclude, trade promotion and supporting industries/SMEs promotion should be closely connected each other to enhance export performance.

In addition, in order to ensure effectiveness of aid programs, overarching perspectives are necessary; in other words, it is important to consider not only trade promotion, and SMEs/supporting industries promotion but also public sector reform and improvement of market conditions. It is also important to consider priorities of trade promotion in the country-level development plans.

Also, there is possibilities that the region can not enjoy efficient resource allocation when individual countries pursue independent programs on their own. In this regard, it may be necessary for countries to undertake policy coordination and to make cooperative programs at the regional level with due consideration to benefits of individual countries. As far as the four countries in this evaluation are concerned, it is expected that the frameworks of Association of Southeast Asian Nations (ASEAN) and the East Asia Community will be utilized to discuss export promotion and SMEs promotion policies that benefit individual countries.

(2) From “G to G” to “G to G plus G to B”

The most important point in assisting capacity development is to develop all of the society’s capacity by utilizing various actors. It is necessary to choose the best actors among them, without limiting the choice to the targeted actor. As the Philippines case shows, to put assistance into the private sector could be a more efficient way if there was severe human and financial constraints in the government sector.

The approach could be affective in terms of comprehensiveness and initiative which is important for capacity development.

Business development service (DVS) for SME has been provided by many donors since 1980’s. Looking back at history the services were mainly provided government organizations from 1970’s to 1980’s. In 1990’s NGO business group and private organization are beginning to provide the services for fee like pearl2 project. It is to seek for sustainability.

In 2001, the World Bank, International Financial Corporation (IFC), International Labor Organization (ILO), United States Agency for International Development (USAID), Department for

International Development (DFID), and German Technical Cooperation (GTZ) held a Small Firm Promotion Donor Committee. The committee published “Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention 2001 Edition”, in which assistance to BDS facilitators, not to BDS providers, is emphasized. Currently each assistance agencies are implementing assistance projects based on the guideline. It can be assistance that the new channel, where assistance is put from the government sector to the private sector, is established as a dominant alternative. This channel, however, should be applied depending on the social capacity development stage of individual country.

Canadian International Development Agency (CIDA) has implemented provider-assistance in Indonesia and the Philippines. In the case of Private Enterprise Accelerated Resource Linkages Phase II (Pearl 2) Project by CIDA, target organizations are decided based on the proposals from chambers of commerce and industrial organization. Competitive environment is created by limiting assistance according to the quarterly results. It may be effective to input assistance only a provider is expected to continue its activity after the termination of assistance. When the provider becomes enable for providing service, the focus of assistance should be shifted to facilitator-assistance. The relationship between provider-assistance and facilitator assistance is not a trade off but a complementary one. Assistance should be implemented with it in mind.

(3) The strategic positioning of trade sector assistance: Application to the least developed countries in Eastern Asia: CLMV countries and African areas

The Economic Partnership Agreement (EPA) between Japan and East Asian countries has been criticized for its ineffectiveness because of a prolonged negotiation process and many exemption items. To improve the situation, it is necessary to foster capacity development assistance in the trade-related area in least developed countries (CLMV). The importance of such activity is rising to proceed toward the future “Asian Communities”.

The Malaysia External Trade Development Corporation (MATRADE) and Indonesia
Export Training Center (IETC) conduct South-South cooperation with JICA’s assistance. It is necessary to fully explain to European donors the difference between Asia and Africa and the applicability of the Asian development experience to African counties. Furthermore, it is essential to secure consistency with each targeted country’s policy and to coordinate between donors.

Japan and European donors have the common direction of development assistance, such as program-based, sector-based and country-based approaches and an emphasis on capacity

development. However, the big difference lies in the evaluation of technical assistance projects. The very basis of European aid policy is the failed experience of development assistance in Africa. On the other hand, Japan's aid policy has been derived from its successful experience, which is called "the East Asian miracle". It is important to keep this difference in mind to implement successful Japan-Europe cooperation.

To conclude, it is important to re-classify Japan's cooperation experiences in the trade sector and the East Asian countries' development experience, and to use the lessons derived from these experiences as a guide for South-South cooperation.

Appendix

Local consultant comment

1. Indonesia

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Indonesia welcomes the report of study by JICA on Social Capacity Development in Trade Sector in four ASEAN countries namely Indonesia, Malaysia, The Philippines and Thailand. The objective of the study is to assess the role of Japanese assistance in developing social capacity in trade sector in East Asian region.

Japan has assisted East Asian region since 1980's under the concept of "development strategy oriented for growth through the trinity of aid, trade and investment". Although ASEAN has been a main recipient of Japanese aid since early 1970's, especially for development of infrastructure, and capacity building in general, but the capacity building in trade sector was a new concept. As the report stated that Japanese assistance for trade sector in ASEAN just started in the late 1980's.

Indonesia received in 1988 technical cooperation and construction of the centre for exports training (IETC) in Jakarta, as the milestone of social capacity development in trade sector. The presence of IETC in Indonesia has greatly expanded the capacity of government agencies to improve the skills of private firms in trade sector through export training and promotion. Having received positive response from business community, the center has expanded to regional area such as Medan, Surabaya, Makassar, and Banjarmasin.

IETC has contributed positively to improving the skills of firms in Indonesia in the era of economic globalization. Indonesia opened its economy to global market by signing regional trade liberalization (AFTA) in 1992 and multilateral trade liberalization (WTO) in 1994. Most recently Indonesia also agreed to expand the regional liberalization to include China (2002), India and Japan (2003) and Korea (2004). In the bilateral forum, Indonesia just started to negotiate Economic Partnership Agreement (EPA) with Japan in 2005, with aimed to have comprehensive partnership beyond trade liberalization which include investment and capacity building.

The series of agreement that had been signed by Indonesia government since 1994 has greatly affected business community. Expanding overseas market through reduction of tariff and elimination of non-tariff barriers became a great opportunity for export industries. However, economic globalization also brought about severe competition faced by domestic industries from imported goods. Domestic market is flooded by massive imported goods ranging from low price

textile and apparel, footwear, and toys to semi precise tools. According to a report by Chamber of Commerce (KADIN), hundreds of manufacturing companies closed its industries or reduce its employment because they were unable to compete in domestic market. Increasing energy prices and pressure from labor union also contributed to closing down some manufacturing industries.

Some important comments regarding the report as follows :

1. Economic Growth

During the economic crisis in 1997 – 1998, Indonesian economic adjustment was very slow compared to neighboring countries such as Thailand and Malaysia. Slow economic recovery was mainly because Indonesia was facing dual economy and political crisis at the same time. Economic indicators showed that GDP felt down, inflation skyrocketed, currency depreciated, exports declined and investment stagnant.

2. Trade Growth

Since the crisis, external trade has suffered severely. Exports performance reached its pre-crisis level just in recent years. Rising new competition from China and Vietnam has been eating out some of Indonesian exports from global market. When the government of other countries offered assistance to their exporters in the form of subsidies, Indonesia has not had any capacity to do the same way. Worse than that, Indonesia closed down its Trade Promotion Center in 13 countries in 1998 (and just re-opened 6 since 2002).

3. International Competition

The report discusses intensively about Indonesian export competitiveness by utilizing Trade Specialization Index model. This model tell us the competitiveness of a certain products when the product involves exports and imports. However, when the products only one of the exports or imports, the model is inferior. Another model to measure a competitiveness of a country such as Reveal Comparative Advantage will suit better.

4. Direct Investment

After the crisis, Indonesia has not been succeed to attract foreign direct investment. The absence of foreign direct investment was mostly because of lack of domestic infrastructure and delay of formulating new investment law.

5. SMEs

The role of SMEs is important in Indonesia in term of labor absorption and value added. During the crisis, when most of large corporations collapsed, most of SMEs survived. This is the only sector that was not asking government support during the crisis. For the SMEs, the most important is access to low cost capital funding beside access to market overseas.

6. Training

Indonesia welcomes the transfer of skills from Japanese experts in the field of quality control, product development, market research and trade promotion technique to Japanese market, etc. However, Indonesia also needs expertise on the market penetration to other markets.

7. Labor Productivity

The report mentions about the improvement of labor productivity in manufacturing sector in Indonesia and compared to labor productivity in advance nations such as Japan. It is also important to benchmark the labor productivity with neighbor countries such as Malaysia, Thailand, the Philippines. Even comparison with China and Vietnam will be very helpful.

8. Questionnaires

It is understandable that very difficult to collect data from previous training participants. However, using 132 responses from 400 users of IETC are not representing most problems faced by SMEs. The reports should have been better if could attracted more respondents.

9. Foreign Ownership

Since the purpose of Japanese assistance in export training is mainly to improve the export capability of Indonesian local companies, the inclusion of foreign own firms into the training is another diverting from the original purpose.

10. Government Institutions

The report raised the problem of coordination among government institutions in Indonesia. This is not a new issue. Even after the re-split Ministry of Trade and Ministry of Industry, coordination among government institutions became more difficult. Concerted efforts to promote exports by all government agencies such as Ministry of Trade, Ministry of Industry, Ministry of Finance, Ministry of Agriculture, Ministry of Forestry, etc, is very important. Without coordination, it will be very difficult to expand exports beyond regular growth. It is understandable that most of instruments to improve export capability and competitiveness of the country are beyond jurisdiction of Ministry of Trade.

11. The role of NAFED

NAFED has actively promoted Indonesian exports since early 1970's. However, because of limited funds available from government budget, NAFED has limited capability to attend international exhibitions overseas. When comparing NAFED to the same kind of agencies in other neighbor countries such as Malaysia and Thailand, it is clear that NAFED still need improvement. In addition, NAFED needs expertise in marketing strategies, better export promotion technique, beside adequate budget.

12. The role of IETC

IETC has trained thousands of firms in the exports business since its opening in 1990. However, most recently this agency is facing difficulty to recruit training participants. IETC needs more capacity in human skills and budget to improve its curriculum and laboratories. Without better curriculum and adequate laboratories to adjust to the new era of globalization, IETC would not be able to attract participants from business community. Elevation of its rank from echelon III to echelon II level, should be helpful.

2. Malaysia

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The present report clearly defines the objectives of the study. It is stated at the outset that the purpose of the study is to evaluate Japan's aid to a select number of ASEAN countries through the instrumentality of JICA. Obviously, there is a need to assess the role that JICA has played for two reasons. The first is purely at the level of an audit, and the second is at the level of a re-assessment. As an audit, this report is expected to outline the programmes that JICA has implemented over the years and the effectiveness of these efforts. The second reason is more comprehensive in so far as it an attempt to sieve the lessons that can be learnt from JICA's cooperation with the partner-countries in ASEAN.

Both an audit and a re-assessment are timely because of changing global economic developments and the new dynamic of economic relations between ASEAN and East Asian states. These changes will mean that JICA will have to adopt a different mode of functioning to cater for shifts in the economic landscape. One can quickly think of two considerations. First, an audit and a re-assessment are useful because they can help guide future assistance to the CLMV countries; and this is expressly stated in the study. Second, the levels of economic growth and development that the countries under study have achieved since JICA first extended its cooperation are definitely different than those that obtained, say, 20 years ago. The requirements of these countries would have changed in respect to their expectations from JICA. Third, JICA may want to play a countervailing role in ASEAN with the economic presence that China now assumes. While the political economy considerations are not distinctly spelt out in Chapter 1, they must lie at the background. Some mention must, therefore, be made of the more competitive climate under which JICA must now operate. This must be acknowledged since it is to ASEAN's and Japan's benefit that the latter continue to engage itself within the region, but perhaps more aggressively, especially with the anticipated rise of China's presence.

The significance of the CD approach is nicely presented in Chapter 1. How the CD approach is defined in the present study and its relationship with other attempts in the field is also well presented. Clearly, the present study chooses to focus on a more narrowly defined area than some of the earlier work on CD, concentrating on the "aid business done by JICA in trade", but without ignoring the contributions of other organisations such as JETRO, etc. This is an entirely acceptable approach, and worthwhile from the policy point of view.

Chapter 1 also discusses the framework for the evaluation. In particular, it concentrates on social capacity assessment and the evaluation of Japan's contribution to the export capabilities of

developing countries. The diagram on social capacity (Fig.1.1) indicates what the authors mean by social capacity and how they choose to define it. What is less clear is first point that they make in applying the concept to trade, which states that, "compared with the other fields of development such as the environment, education, and healthcare, the role of government is restricted and the role of corporations is large." Looking at the Malaysian case, I would hold that the government has played and continues to play a substantial role. The size and influence of the government-linked corporations (GLCs) in Malaysia cannot be denied. It would, therefore, be useful if this point be clarified.

The relation between social management system, social-economic conditions and external causes is described in Chapter 2 and presented in diagrammatic form in Fig 1.2. The role of institutions is not clear because based on the diagram, institutions seem to impact on the inter-relationship between the government, citizens and firms. However, I think that institutions (formal and informal) determine the nature of the inter-relationships between the three actors (government, citizens and firms). I also note that there is little clear discussion that firmly situates the role of institutions within the proposed framework, although it is mentioned in places. Whatever it is, there is no doubt that JICA has assisted some of its partner countries in setting-up various procedures and legal frameworks to enhance trade.

The section on trade sector assistance from Japan provides a useful overview of the assistance that has been extended to Malaysia. It is mentioned that the number of trainees from Malaysia have been decreasing. It would be interesting to know why this has been so. It is also mentioned on the same page that the total number of trainees from Malaysia has been lower than those from Thailand and Indonesia. Again, it would be interesting to know why. The number of JODC TA professionals sent to Malaysia seems very small in comparison to the numbers sent to Indonesia and Thailand. Again, these figures raise the reader's curiosity. Is it because Malaysian enterprises do not need the kind of expertise that is offered? Or is it because the programmes are not being properly utilised? Or is there some other reason?

Section 4.3.2 considers trade capacity building of the private sector. I like the way the authors have selected the proxy indicators and I agree with them that although these are simple indictors they give a feel for the trade capacity of a country. On this note, I wonder if it would be useful to have some comparison on the basis of total factor productivity growth. Was this considered by the authors? It would be interesting to know why it was not selected as one of the indicators? As far as the indicators are concerned, I think one observation that the study makes is especially noteworthy. The authors point out that Malaysia does well as compared to its neighbours on these indicators, but lags behind Japan. This is, indeed, the challenge for Malaysia, because Malaysia is ahead of its neighbours, but still not competitive enough. And this point should suggest that Malaysia still has much to benefit from the aid that Japan can extend; but in a different form than was extended previously.

In section 4.3.3 it is mentioned that the research findings show that most of the respondents chose ASEAN countries as their export destination whereas official trade statistics show that the largest export destination from Malaysia is the US. This is not surprising given the most of the respondents, as stated on p.82, are SMEs. Typically, SMEs do not have the capital or resources to export to the US.

Section 4.4 is about the capacity building of the government to expand Malaysian exports. I have no disagreement with any of the points mentioned in this section. I would say that the authors have perceptively analysed the shifts in industrial policy in Malaysia and they correctly point that IMP3 is likely to concentrate on the service sector. However, it should be noted that the IMP3 is yet to be released, so the observation is probably based on personal interviews.

Similarly, I think that the review of the progress and development of MATRADE is brief, but sufficient and accurate. The views of private sector entities on MATRADE also seem to correspond to the general sentiment experienced through contact with many private sector companies and other entities. Although the number of opinions on this issue is not large enough to allow one to generalise, it reflects popular general perceptions regarding MATRADE.

The research study has some disturbing findings on how Malaysian enterprises evaluate policy measures in trade expansion. The findings suggest that there are shortfalls on the approval processes for governmental standards, job training programme, industrial development program in budgetary and tax incentives and tariff processes. These indicate, as noted by the authors, that there are problems in government services. There is a clear need to rectify problems such as these. I wonder if there is any role that JICA can play in assisting to smoothen existing procedures or practices in these areas. Problems in government services are obviously a good instance of the functioning of inefficient institutions. The theoretical framework in this study correctly pointed out that social capacity is improved or hindered by institutions, and in this section we have a good example that supports the framework.

It is intriguing that although there seem to be some problems with the government in the provision of trade related services, the private business groups do not have any such problem. In fact, from the responses that were obtained it appears that the companies interviewed are satisfied with the services provided by the private groups. This is a very positive observation and can be extended to suggest one of two things: either the private groups should be relied upon more and more in future in order to provide the services that are required, or the government should be encouraged to improve on the factors that constrain the effective functioning of its duties. Although both approaches can be used, one suspects that more immediate results are likely to be realised by allocating more resources to the functioning of the private business groups.

Section 4.5 of the research study is a good summary of Malaysia's development and how JICA has assisted in this developmental process. It is obvious that JICA's assistance has always been sensitive to the development stage of Malaysia and its needs at the time the assistance is extended. As the author's point out, Malaysia has been progressing well and Malaysia is able to develop its industrial policy independently, as well as institute its legislation without external assistance. Nevertheless, this does not mean that Malaysia no longer needs any further assistance from Japan. It only means that the type of assistance that is required will be of a different nature.

I would think that Malaysia can still benefit from Japan's expertise through the transfer of 'hard' skills and 'soft' skills. By soft skills I mean those skills relating to laws, trade negotiation, appraisal and evaluation of free trade agreements (FTAs) and the like. When speaking of hard skills, I refer to skills of a technical nature. Thus, I think Malaysia is, perhaps, in need of skills in terms of evaluating the impact of possible WTO agreements on national economic outcomes. It is also in need of skills in drafting and evaluating options for FTAs. This is because Malaysia does not have much experience with FTAs, whereas Japan has extensive capabilities in this area. Further, Malaysia is venturing into new areas such as biotechnology and nanotechnology. These are areas in which Japan has well developed industries. Thus, I believe that are many areas in which Malaysia can continue to benefit from Japan's expertise; and with some ingenuity it would be possible to engineer the right kind of programmes that will help Malaysia develop its social capacity in the trade sector.

3. The Philippines

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The study applies to trade the Social Capacity Assessment framework (Matsuoka et al 2005), which was originally developed for environmental management. The application is intended to help evaluate Japan's international cooperation policy, particularly JICA's development assistance. The study mainly consists of 1) presentation of framework and methodology, 2) individual country case studies of the ASEAN-4, and 3) summary evaluation with a brief comparison of ASEAN capacities leading to the policy recommendations. Each of the country studies incorporate findings of a self-rated survey of firms about their conditions and assistance provided them if any by government, donor agencies, and business associations (such as industry associations and business federations). The conduct of these surveys offers considerable comparative value. In addition, since surveys on Philippine SME conditions have been growingly scarce, the HU-MRI survey provides a much deserved update.

I would like to start my comments on the Philippine country study with a brief review of government policy and policy administration. Later, I examine the study against a review of Philippine export and business conditions as well as the impact of foreign direct investments (FDI) and official development assistance (ODA) on foreign trade and productivity. Other substantive comments are provided at the end.

For decades, the Philippines maintained a restrictive or protectionist policy toward foreign trade and investment. Following the typical trade pattern of developing countries, exports were primarily based on primary commodities while major imports consisted of finished goods and industrial inputs. In the 1970s, the Marcos government instigated a structural shift, which altered the pattern of trade. Again, it might be said that this policy change followed the labor-intensive, export-oriented industrialization undertaken by several East Asian countries.

In the 1980s, the government initiated trade and investment liberalization. Controls and restrictions were gradually loosened. The impressive trade performance of the 1990s should be underscored in relation to performance records of previous decades. It must be emphasized therefore that the economic liberalization policy produced a positive effect on Philippine foreign trade. Even the partial liberalization of the banking sector contributed, helping ease the preexisting tight credit situation. Consequently, consumer finance became a competitive business area. Likewise, business loans became more accessible for small entrepreneurs.

The trade liberalization policy framework was accompanied by the creation of new organizations and the mobilization of other government organizations, led by the Department of Trade and

Industry (DTI). These organizations responded to needs in various functional areas of business. In technology/production, there were at least ten (10) government instrumentalities involved; in marketing, six (6); in training, four (4); in regulation and provision of incentives, nine (9). In finance, five government financial institutions (GFIs) were mobilized to assist the SME sector in a unified lending program.

To facilitate export trade, one-stop export documentation centers were created. These were later expanded into the Export Assistance Network (EXPONET) to provide information and troubleshoot problems of exporters. The EXPONET included a network of several government agencies such as the Bureau of Customs and the Central Bank as well as business associations. To facilitate investment, one-stop action centers were created with the participation of the Board of Investment (BOI), BSP, Bureau of Immigration (BI), Department of Labor and Employment (DOLE), Securities and Exchange Commission (SEC), and the Philippine Industrial Estate Association (PHILEA).

Evidently, several government organizations have gathered to provide a variety of business support services in aid of expanded trade and investment. The HU-MRI correctly recognizes the formation of a trade capacity development "system" (under a liberalized trade and investment regime). As shall be pointed out later, this system enabled the rapid growth of the country's foreign trade. However, a slowdown in trade and manufacturing FDI flows since 2001 have weakened the ASEAN-4's overall manufacturing competitiveness. Vast amounts of FDI flowed to countries that offered greater cost advantages than the ASEAN-4.

Despite the gains reaped during the 1980s and 1990s, various studies and reports have revealed areas of improvement for government support services. A survey of SMEs conducted by Salazar et al (1986) from May to October 1984 showed that the process of availing of government fiscal incentives were costly and saddled by bureaucratic red tape. Twenty years later, the World Bank's *Doing Business in 2005* would reaffirm this situation. In various aspects of doing business, transactions with government were costly, time-consuming, and inconvenient. Using data from this World Bank study, a benchmark analysis with other countries would indicate the need to reduce the number of procedures, time, and costs of starting and closing a business, of registering property, and of enforcing contracts.

Other studies such as those of Lamberte et al (2003) and Tecson (2004) pointed to the cost of doing business as a major barrier to investment and competitiveness. These studies attributed the high costs of doing business to high electricity and water charges, high transportation costs (due to congested port facilities), poor infrastructure, peace and order, and again bureaucratic red tape.

A number of SMEs in the HU-MRI survey of Manila and surrounding areas would echo similar complaints about government service delivery. Although a number of SMEs signified

improvements in satisfaction levels of government support to the export sector, support areas noted above have not been effectively addressed. Particularly, improvements in customs procedures as well as government support in the areas of finance, marketing and information had been strongly suggested (see Table 5.19 of HU-MRI study).

The lack of resources is often cited as a major reason for government service delivery challenges. This could be traced to the government's fiscal problems, particularly in revenue generation, debt-service payments, and mal-allocation of resources due to political considerations. Recently, however, the government has expanded the value-added tax to boost its revenue-generating capacity and address the fiscal imbalance. Some improvements in government services could or should thus be expected.

Given the aforementioned mix of positive developments and service delivery weaknesses, it is difficult to characterize outright the Philippine government's support capacity for trade and investment. The impact is not thoroughly clear. There is a methodological challenge to construct quantitative indices of impact and capacity. Conceptually, these indices could be part of a larger social capacity development index (SCDI), which the HU-MRI draft introduces.

In the same vein should the business sector's capacity be measured. In other words, a business sector trade capacity weighted index could be constructed as an aggregate quantitative indicator. The English version of the draft does not make it clear at the beginning but the survey's focus is SMEs. Therefore, any reference to a country's trade capacity should take into account this limitation.

Based on a 1993 special survey of manufacturing establishments conducted by the National Statistics Office (NSO), Tecson (2004: 69) notes that of domestic firms, SMEs shared 64 percent of manufacturing output and 44 percent of manufactured exports. Similarly, of firms with foreign equity, SMEs accounted for 34 percent of output and 66 percent of manufactured exports. Hence, according to Tecson (ibid), an important segment of SMEs were generally "successful" in competing abroad and attracting foreign capital. This despite economic liberalization, weaknesses in government support, and high attrition rates during the mid-1990s.

Over a thirty year period (1975-2005), the export growth rate averaged close to 10 percent. The more remarkable period for Philippine foreign trade was the 1990s. From 1990-2000, the value of Philippines exports (FOB US$ million), led by the electronics, grew at an average of 17 percent per year. From traditional primary commodities, the country's revealed comparative advantage shifted to labor-intensive industries, particularly in consumer electronics and machinery assembly operations, and garments. The pattern of the total value of imports followed that of exports but at a much larger scale so that trade deficits were also experienced.

Exports fell in 2001 and, thereafter, performance became erratic. This could be attributed to a number of factors. One factor involved the poor government response to the aftershocks of the 1997 Asian crisis. Against the backdrop of massive capital outflows and impending trade slowdown, the Philippines witnessed excessive government spending starting in the late 1990s (Batalla, 2005). This eventually disrupted macroeconomic stability and the exchange value of the peso further dropped against major currencies. Further, China's entry into the WTO in November 2001 adversely affected the flow of investments into Southeast Asia. Many labor-intensive firms experienced tremendous difficulties, folded up or transferred operations to China, which enjoyed a tremendous labor cost advantage.

As before, adversities such as those mentioned above have not deterred some Japanese medium and large firms, particularly in electronics and machinery, from locating in the Philippines. Tecson (2000) identifies factors for the location decisions of large Japanese multinationals, which defy common perceptions about political, economic, and social risks. However, for SMEs, there is a need for a much improved business environment in order to maximize trade and investment in their sector.

Given serious government limitations, the Philippine business sector has somewhat benefited from external forces, particularly from what the HU-MRI draft calls as the "trinity" of policy instruments of international cooperation, namely: FDI, ODA, and trade. However, it is important to clarify certain economic phenomena involving these instruments.

The steep climb of the Philippines' foreign trade in the 1990s was accompanied by inflows of FDI and ODA, notably from Japan. The Philippines had been a major recipient and in the 1990s was being among the top five recipients of Japan's ODA (J-ODA). From 1985 to 2004, J-ODA accounted for 52 percent of the total value of ODA received by the Philippines. Likewise, from 1985 to 1996, J-ODA net disbursements to the Philippines averaged 1.13 percent of the country's gross national income (GNI). During the period 1997-2004, Philippine "aid dependency" from J-ODA declined to 0.42 percent of GNI. In fact, the ratio of J-ODA disbursements to GNI dropped in all ASEAN-4 countries.

Mapalad (1999) showed that since J-ODA focused on economic infrastructural projects, it did not negatively affect or substitute domestic saving in order to finance investments. Moreover, J-ODA positively affected the Philippines' income growth, employment, and foreign trade. However, the impact on the Philippines was small relative to those on Thailand, Indonesia, and Malaysia (Mapalad, 1999).

The effect of Japan's direct investment (JDI) on Philippine exports would be similarly positive. The main reason was that JDI went into export-oriented manufacturing industries particularly electronics, which led the export boom of the 1990s. The share of manufacturing to total JDI

averaged 70 percent during the period 1990-2000.

Nevertheless, the Philippines received considerably less FDI than Malaysia, Thailand, and Indonesia. From the 1985 Plaza Accord to the 1997 Asian financial crisis, the Philippines received the least JDI (US$3.8 billion). Indonesia received the largest cumulative amount of US$ 15.5 billion, followed by Thailand (US$ 11 billion), then finally Malaysia (US$ 7.2 billion). During the same period, based on the total inflows of JDI and J-ODA, the share of JDI was highest in Malaysia (93 percent), followed by Thailand (67 percent), and Indonesia (59 percent). JDI into the Philippines only accounted for 36 percent of the total amount of Japanese investments and ODA.

Because the bulk of J-FDI went into export-oriented manufacturing, the Philippines' export production structure and performance significantly changed. However, the change was far greater in Malaysia and Thailand for similar reasons (investments into labor-intensive, export-oriented manufacturing). This is the main reason for rapid increases in manufacturing productivity in these countries. In contrast, Japanese direct investments in Indonesia, the recipient of the largest amounts of JDI and ODA, were more diversified. The gap between JDI shares in manufacturing and non-manufacturing industries was not consistently high.

The main implication of these empirical findings is that export-oriented direct investments are significant to a country's export capacity. The economic impact of ODA, though positive, could be further enhanced if more substantial amounts are focused on facilitating investments within a country and from abroad. On the one hand, it could help facilitate FDI through a variety of assistance programs aimed at reducing the costs of doing business in the country. This suggests continuing economic infrastructural support (e.g., transportation) and exchange programs, enhancing technology transfer, promoting peace and order, etc. On the other hand, J-ODA could open a facility for direct support of Philippine private enterprise. This facility is similar to facilities of other donor agencies like CIDA's, as cited in the HU-MRI draft report. Such undertakings have received favorable feedback from Philippine SMEs.

Another theoretical consideration involves the empirical relationship between productivity, FDI, and foreign trade. The growth in FDI outflows is a relatively new phenomenon that defies traditional conceptions of productivity growth. In the case of the Philippines, the historical record of manufacturing productivity shows poor levels (ILO, 1974; Lamberte et al 2003).

However, consistent with the point being emphasized throughout these comments, gains in Philippine total factor productivity (TFP) have been largely the result of trade and liberalization policy (Lamberte et al 2003; Coraroton, 2004). Coraroton's (2004) regressions using data from 1975 to 1999 reveal that TFP in the Philippines was strongly determined by FDI. Other determinants include exports, share of manufacturing to GDP, and a two-year lag in R&D expenditure to GDP; a one-year lag in imports also had a positive but small effect. These findings

support Urata's observation of an FDI-trade nexus in East Asia in the last two decades.

In addition, the HU-MRI study correctly points out that, based on the firms' self-rated survey, export performance is greatly affected by demand and market conditions, despite admissions of productive capacity development. This finding could be further strengthened by analyzing the correlation between the presence of foreign ownership and the firms' export performance. Also, the analysis should firmly establish if improved productivity and export performance are industry-specific.

As is well documented in the literature, manufacturing FDI often brings with it work systems and technologies ready to be installed in the host country though subject to local adaptation. Likewise, manufacturing FDI usually carry established market linkages. It could be said that firms with more or less established financial, production, and market linkages, would tend to be more productive. Firms and industries not possessing these linkages and facing little incentives would tend to be less productive.

The above discussion suggests that the business sector's capacity for trade is determined by investments as much as its work systems and the costs of doing business. A caveat should therefore be considered when using (labor) productivity as an independent variable for determining the business sector's aggregate trade capacity. Less careful treatments could potentially lead to spurious results. Similarly, extreme care should be observed when making value-laden statements such as "where industrial development has been completed" or the Philippines having "no capacity leading to enhancement of export performance" (underscoring mine). In addition to what have been stated earlier on, the latter statement downplays or negates interpretations of Figure 5.15 which shows rising system indices for social capacity in the Philippines since the mid-1990s.

Concepts often demand operational clarity and preciseness. In this regard, improvements could be made on operational definitions and specific quantitative indicators of concepts found in the draft. Among the more important ones are "social capacity development index," "social development stages," "export promotion capacity of government," and "stages of system making." Since the analysis of these concepts in each country case ultimately result in a cross-country comparison, a more focused and well-defined comparative methodology is desirable. Measurement is necessary in order to avoid over- and under-estimation of individual country capacities (or in general, the variables studied as a basis of making claims).

It is also better to thoroughly present concepts/terms, operational definitions, indicators, and issues related to social capacity development in Chapter 2 than in later chapters of the study. Particularly, Chapter 7 discusses the issue about the types of aid inputs (sequential and additional inputs, with-without perspective, small-, medium-, and large-scale aid inputs) and their relative effectiveness. From a methodological perspective, this issue could have been raised earlier in

Chapter 2 then after formulating the appropriate hypotheses, test these hypotheses against the experiences of the four ASEAN countries. The overall validity and value of the current draft could be further enhanced once problems of methodology and consistency of data interpretation as mentioned above have been surmounted. I am hopeful that the revised final draft would be able to overcome these challenges.

The SCA framework provides for a more detailed examination of each country's trade capacity. Using the framework, capacity evaluation could be conducted from a different but powerful perspective. It examines trade capacity from a total systems view. Understanding the totality of a system is a great challenge however because it requires expert knowledge of each system component. One suggestion for the future use of SCA framework is to identify specific opportunities for the development of manufacturing industries through an optimal mix of international cooperation policy instruments (FDI, ODA, and trade).

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4. Thailand

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This comment analyzes and gives suggestions on the "Social Capacity development in Trade Sector and Japan's Assistance Report" specifically on in the case of Thailand. The comment has two parts. First part is comment on the broad view of the report. The second part will comment on the case of Thailand.

General Comments on the Report:
This report aims to evaluate JICA's aid in the field of trade, from the standpoint of capacity development by using the method of social capacity assessment. The report set three agendas of analysis. The first agenda is to analyze the social capacity development which promotes economic partnership with the method of Social Capacity Assessment. The second agenda is to evaluate the impact of JICA's aid to the social capacity development of the country. The third agenda is to examine how the business of the trade center, which is the representative project of JICA, contributed to social capacity development, social economic development, and the performance of trade and investment.

This report evaluate JICA's aid in the field of trade by looking at (1) contribution to capacity development, (2) the consistency with the development stage of social capacity (timing of aid entry and exit, relevance), (3) partnership with domestic organizations, consistency of policy, (4) consistency with the policy of the country of subject. To evaluate these conditions, the more important questions are how JICA approach aids to these developing countries, (developing country) demand pull or (Japan) supply push? What is the mechanism of Japanese trade-related organization used to initiate aid for developing country? Are policies planned according to the conditions and development stage of each country, or according to long-term goals and external competitive conditions? Generally, Japan Trade Assistance organizations, including JICA, initiate trade-related aid program by looking at international and domestic market of aid-receiver developing countries. International trade between ASEAN countries and Japan has begun since these countries implement import substitution policies. The main reason of Japanese foreign direct investment (FDI) is to access domestic market. After investment, international trade had started followed by aid. The characteristic of the international relationship was shown as the new development strategy oriented to growth through the trinity of aid, trade, and investment. Therefore it is highly possible that JICA's aid has consistency with higher level trade and investment policies. Moreover, it has a full partnership with domestic organizations since most of ASEAN developing countries' industrial policies were guided by Japanese government.

However, to evaluate JICA's aid, the report should not do only checking whether the organizations

have trade-related activities (or aids) or not but also measuring the difference between expected and actual amount of social capacity by considering trade and investment level. Although these capacities are hard to measure, it is worth trying some proxy to measure them. This report has already shown the details of trade-related aids and it also shown some proxies of actual social capacity eg. the number of trainee participating in trade aid program. Nevertheless, the target level of these proxies has not yet shown clearly. Furthermore, since most of ASEAN developing countries' industrial policies were guided by Japanese organization, it will be interesting to see how different between Japan's suggestion and actual policies and what are main reasons of differences?

Another suggestion is about SMEs issues. This report seems to assume that the progress in SMEs development will show the social capacity which finally have effect on trade. However, SMEs in ASEAN countries slightly relate to supporting industries. They also have less proportion in export share. They focus on domestic market rather than export market. It may be possible to use development of SMEs as the proxy on social capacity development. Nevertheless, to link development of SMEs with trade, we need to define SMEs more specifically.

Overall, this report provides insightful perspective of the relationship between JICA's Assistance and social capacity development in developing countries. The conclusions and recommendations are very useful and practical for future policy implementation.

Comment on Social Capacity development in Trade Sector and JICA's Assistance in Thailand:
This comment was on the review of JICA's major aid to the Thai trade sector and their effects on social capacity development in Thailand. This report defines trade sector aid in several forms including direct aid to trade promotion, a variety of types of cooperation such as investment promotion, promotion of small and medium sized firms and supporting industry, and industry development.

In the first part, the chapter explain about trade sector assistance from Japan to Thai trade sector. The Japan assistances include JICA, JETRO, JODC, AOTS, and JBIC. This part show the most important assistance programs in trade / direct investment, the fostering of SMEs and supporting industries, and industrial development by providing the project name and the year. However, to show this program at year of operation will not show the real effect of these programs on social capacity development. Japan aids in trade sector mainly initiate industrial development plan, set up institutional structure (organization) (or social capacity), and providing physical and human resources to Thailand. The results of many Japan' organization development studies and suggestion plans were implemented. These plans are the blue-print of Thai manufacturing structure. The structure, then, affects the pattern of trade and investment. Although the number of trainees from Thailand in trade, direct investment, and SMEs development seem to be small number but, in fact, these trainees became key player in initiating and implementing industrial development policies. Therefore, the influences of these Japan's trade aids will be more than just the year of

implementation but their effects will cover the period in industrial development plan. However, to understand Japan's assistance on Thailand trade sector, It will be better that the report can briefly explain if each program is successful or not. It will be more obvious to show the relationship between Japan's trade aid program and Thai social capacity development rather than explain them separately.

In the second part, this chapter explains about economic development, trade, and direct investment. It shows Thai economics growth, the ratio of Thai product/ services export to GDP, rate of manufacturing sector in Thai export value, international competitiveness of Thai export item, and foreign direct investment inflow to Thailand. It should be noted here that although, the share of once-dominated resource-based and labor-intensive exports has gone down while that of science-based and differentiated exports has gone up especially in the 1990s, one cannot argue that Thai exports have turned to be more technological intensive, as the dividing categories do not reflect the sophistication of technological activities requiring to produce goods, for example, those categorized as science-based exports might be only assembled locally, while their technologically sophisticated and high-value-added components are imported. Although this part show socio-economic environment in Thai economy, it does not show the relationship between Thai and Japan. It will be better if these economic indicators show more specific relationship between Thai and Japan eg. trade volume, FDI etc. Moreover, the report does not show the effect of economic crisis. In fact, the crisis change social capacity and trade pattern in many ways. For example, during and after crisis, many foreign joint ventures export their products more to prevent low domestic demand. Many firms start to improve their capacity to compete in export market. Therefore, the author should emphasize economic crisis as the one socio-economic condition which affects social capacity development in Thailand.

In the third part of this chapter explain about trade capacity building in firms. Firstly, the evaluation on capacity building of local SMEs was demonstrated. Although there are many good sign of development in productivities or in export growth, it has to note here that since most manufacturing production takes place in larger establishments, SME productivity can be greatly increased by encouraging them to invest in new equipment and modern production facilities, possibly as a result of new business linkages with larger firms. Moreover, some export growth especially after crisis was encouraged by parent transnational corporations (TNCs) rather than their own competitiveness. Labor productivity in small and medium industries was only half that of larger industries Furthermore, the proportion of SMEs products in Thai trade volume is very small. The interpretation should be careful. Especially when we want to conclude that the Thai trade sector has transitioned from the System-working Stage to the Self-management Stage.

For business group, this chapter includes Thai Chambers of Commerce (TCC) and Federal of Thai Industries (FTI). In fact, there are many business group which have influence in Thai economy. For example, Technology Promotion Association (Thailand-Japan) or TPA. Its main objective is to

enhance technology transfer to Thailand through human resource development. Another business group is Thai-Japanese Association (TJA). It collaborate with DIP to operate the Invigorating Thai Business project (ITB), which was launched in 2002 with a budget of 2 billion Baht during crisis. Industrial associations, can play significant roles in diffusion of knowledge and new technologies among member firms. Many industry associations exist in Thailand, however their function has been limited to being a social forum and a lobby group. Many do not employ full-time staff and are relatively informal. The potential of industry associations in building competitiveness has hardly been realized in Thailand, with rare exceptions (Plastics, TAPMA, IDEMA and Toyota Cooperation Club). In the new competitive environment, not just firms, but also industry associations need to upgrade. The government should play a role in ensuring that the potential for industry associations for promoting joint actions is not missed. The government needs to understand the specific challenges faced by individual sectors.

This part also explains about trade capacity building of the private sector. The report should explain further about the general structure of capacity building in Thai manufacturing sector. Several studies of Thai firms conducted since the 1980s state that most firms have grown without deepening their technological capabilities in the long run, and their technological learning has been very slow and passive. Only a small minority of large subsidiaries of TNCs, large domestic firms and SMEs have capability in R&D, while the majority are still struggling with increasing their design and engineering capability. For a very large number of SMEs, the key issue is much more concerned with building up more basic operational capabilities, together with craft and technician capabilities for efficient acquisition, assimilation and incremental upgrading of fairly standard technology. For self-analysis of trade capacity by enterprise, the sample was only 24 firms. Therefore, it is hard to generalize these results. However, the results of the survey mostly are consistent with many previous studies. In this case, the author should use previous studies to confirm conclusion.

The forth part of this chapter explains about capacity building of the government to expand Thai export. The report explains Thai government agencies provide services related to export focusing on the Ministry of Commerce and the Ministry of Industry. The role of Department of Export Promotion (DEP), International Trade Training Institute (ITTI), the Office of Small and medium-sized enterprises Promotion (OSMEP), and the Bureau of Supporting Industry Development (BSID) were explained. However, explanation on more general view of Thai government policies on capacity development is necessary. In Thailand, the most important instrument of trade policy, tariff, has not been used strategically to promote technological learning. Instead, trade policy was very much influenced by macro economic policy, for instance, to reduce domestic demand for imports at the time of balance of payment deficit. Moreover, industrial policy in Thailand has been limited to the so-called ‘functional’ intervention such as promoting infrastructure building, general education, and export push in general. The exception was the local content requirement in automobile industry, which was rather successful in raising local contents of

passenger vehicles to 54% in 1986. However, on 1 January 2002, one the most significant developments in the trading environment of Thai manufacturing firms was the adoption of the 0-5 per cent tariff band on 85 per cent of tariff line items from other ASEAN countries to spur competition and enlarge the regional market. Another measure was the abolition of local content requirements in the auto industry in 2000, two years ahead of the WTO deadline, to attract foreign direct investment in auto assembly and component manufacturing. Investment policy, especially the promotion of foreign direct investment (FDI), aims primarily at generating inward capital flow and employment. However, after crisis, FDI has progressively being allowed in service industries, particularly in the financial and communication sectors. The 25 per cent limit on foreign equity participation has been lifted in banking and other financial services, except insurance. New insurance licenses have been granted to foreign firms to introduce more competition in the domestic market, while insurance laws are being amended to allow higher foreign equity participation. In August 2000, the Board of Investment introduced a new FDI policy containing the following key measures: (i) 100 per cent foreign shareholding in all activities are now allowed, with the exception of those listed under List One of the Foreign Business Act; (ii) claims for investment incentives must be accompanied by evidence of performance; (iii) projects above Baht 10 million are required to obtain a quality certificate such as ISO 9000; (iv) SMIs with an investment of Baht 1 million are now eligible for investment incentives of the Board of Investment; and (v) the debt-equity ratio has been reduced from 4:1 to 3:1 to encourage financial prudence. Long-standing investment strategy has recently been rearranged in accordance to a major economic structural adjustment. Priority has been given to increase in the support of industries that are knowledge-intensive. The new investment strategy of the country focuses on increasing value-added and indigenous technology capability of the industrial sector. This is a significant shift from the investment centered at employment generation.

At present, the concept of industrial cluster becomes very popular worldwide, policy makers at national, regional and local levels and business people in both forerunner and latecomer countries are keen to implement the cluster concept as an economic development model. In Thailand, a latecomer country in terms of technological catching up, the cluster concept has been used as a means to rectify weakness and fragmentation of its innovation systems. The present Thai government aspires to apply the concept to promote both high-tech manufacturing clusters, services clusters and community-based clusters at the grass-root level. Main driving forces of the three clusters are cluster intermediaries. Forms of these organizations are different from a government research and technology organization (RTO), an industrial association, to a self-organized community-based organization such as Industrial Technical Assistance Program (ITAP), National Electronics and Computer Technology Center (NECTEC), and Software Park Thailand (SPT). The links between industrial-oriented RTOs and industrial firms in Thailand are rather limited. Thai RTOs have been concentrating on developing technologies for industry and, then, transferring them to private firms, rather than promoting transferring of people from RTOs to private firms, which is important for deepening technological development capabilities in industry.

The fifth part of this chapter explains about Thai capacity development in trade and evaluation of support from Japan. The support from Japan is not only from public sector but also from private sector. However, the links for technological development between TNCs and their subsidiaries in Thailand are rather limited and trivial. Previous studies found that the transfer of technology has tended to be limited to the operational level, i.e. TNCs tended to train their workers just so that they can efficiently produce goods. There has not been sufficient transfer of technology at higher levels such as designing and engineering. Little investment from TNCs in Thailand has been made in R&D. TNCs have not been active in developing subcontractors or giving technical assistance to local suppliers. The reason behind this is inefficiency and backwardness of local supporting industries. Equally important, TNCs lack willingness and effort to devote the resources and time to upgrade local suppliers. There is a good sign about the cooperation among Japanese companies, local companies and university, for instance, the Ayuthaya Technical Training Center (ATTC). This is a joint venture between the Hi-Tech Industrial Estate and the King Mongkut Institute of Technology North Bangkok. It was set up in 1992 with considerable assistance in the form of training equipment and technology from a number of Japanese companies led by Canon Ltd. In a subsequent development supported by the Mitutoyo Corporation, a precision instrument and metrology centre was added to the ATTC facility. Another case is, in 1994, the cooperation between Chulalongkorn university and Toyota Motor Thailand (TMT) helped re-establish the auto-engineering degree program with the provision of monetary support and instructors from both TMT and the parent firm in Japan. Nearly 600 students have participated in these programs under the sponsorship of 34 Toyota-provided instructors.

Questionnaire Survey

For a better tomorrow for all.
Japan International Cooperation Agency

27 August 2005

Questionnaire Survey on Trade Capacity Development
in ASEAN 4 countries

This questionnaire survey is carried out as part of the Japan International Cooperation Agency (JICA) study on "Social Capacity Development in trade in ASEAN 4 countries (Indonesia, Malaysia, the Philippines, and Thailand)". This study aims to clarify the conditions of capacity development in corporate and government sectors, which have played key roles in export promotion of these countries. In this questionnaire survey, we would like to obtain essential information necessary for our analysis through asking questions on self-evaluation of export-related capacity of your company as well as evaluation of the government's policies and your satisfaction level.

While our team, the Hiroshima University-Mitsubishi Research Institute Joint Venture (JV), is implementing this whole study under contract with JICA, we have also contracted out a questionnaire survey to local organizations in individual ASEAN 4 countries. In Malaysia, the JV has asked Malaysian Institute of Economic Research (MIER) to implement the questionnaire survey.

Our team plans to compare the results of questionnaire survey in Malaysia with those of the other countries in order to assess the future directions of Japan's technical assistance to these countries. In addition, we would like to learn lessons from ASEAN 4 experiences that could be applied for assistance to other ASEAN countries, especially countries of Indochina as well as Africa.

The results of the whole study including this survey will be compiled in the final report (Japanese and English) by the end of 2005 and will be up on the JICA website.

In order to ensure the quality of the results, please make sure that the person at a high management level in your company such as CEO and CFO will kindly take time to answer this questionnaire, or at least review and give authorization to the filled out questionnaire.

We would like to express our sincerest appreciation for your understanding and cooperation on this questionnaire survey.

Shunji Matsuoka, Ph. D
Professor
Graduate School for International Development and Cooperation
Hiroshima University
and
Evaluation Team Leader
Joint Venture of
Hiroshima University and
Mitsubishi Research Institute, Inc.

Company Name:

1. Corporate Profile

Basic information about your company

1) Year of foundation		
2) Category of business 2-1) Types of business activities (Circle the alphabet(s) in the right cell)	a) Manufacturer/Direct Exporter b) Manufacturer/Indirect Exporter c) Nonmanufacturer/Export Trader d) Others (please specify:)	
2-2)Types of Industries (Circle the alphabet(s) in the right cell)	a) food c) pulp and paper e) medical goods g) wood product i) glass, soil and stone product k) nonferrous metal m) general machinery and parts o) transport equipment and parts q) others (please specify:)	b) apparel and textile d) chemical f) petroleum and coal product h) rubber product j) iron and steel l) metal products n) electric equipment and parts p) precision equipment and parts

About following items of 3) to 10) , please answer the situations in 2000 and 2004, respectively. With regard to information as of 2000, If your company did not exist in 2000 or did not export or if you are unable to fill in the cells for any reasons, please circle N/A.

	2000		2004
3) Major product		N/A	
4) Paid-up capital (Ringgit)		N/A	
5) Fixed assets (Ringgit)		N/A	
6) Foreign capital ratio (% of foreign ownership e.g. write 0% if there is no foreign ownership)		N/A	
7) Sales amount (Ringgit)		N/A	
8) Export value (Ringgit)		N/A	
9) Major export market (Circle the alphabet(s) in the right cell)	a) ASEAN b) Japan c) China d) South Korea e) Central Asia f) South Asia g) Middle East h) Western Europe i) Eastern Europe j) Africa k) North America l) Central and South America m) Oceania n) Others	N/A	a) ASEAN b) Japan c) China d) South Korea e) Central Asia f) South Asia g) Middle East h) Western Europe i) Eastern Europe j) Africa k) North America l) Central and South America m) Oceania n) Others
10) Number of Employees (including part-time employees)		N/A	

2. Evaluation of the government's measures related to export promotion

From the following policy options set out in items 11) to 18), please answer your satisfaction level about these policies' contribution to your company's export promotion in 2000 and 2004.

(5: very satisfied 4: satisfied 3: almost satisfied 2: a little unsatisfied 1: unsatisfied N/A: unable to answer)

	2000 Satisfaction Level on contribution to your company's export promotion	2004 Satisfaction Level on contribution to your company's export promotion
11) legal systems and operations	5 4 3 2 1 N/A	5 4 3 2 1 N/A
12) Infrastructure building		
12-1) Logistics (roads, bridges, ports, airports, etc.)	5 4 3 2 1 N/A	5 4 3 2 1 N/A
12-2) Electricity	5 4 3 2 1 N/A	5 4 3 2 1 N/A
12-3) Communication (Telephone, Postage, Internet, etc.)	5 4 3 2 1 N/A	5 4 3 2 1 N/A
12-4) Water Supply	5 4 3 2 1 N/A	5 4 3 2 1 N/A
13) Government Standard certification system (standard, measurement, test)	5 4 3 2 1 N/A	5 4 3 2 1 N/A
14) Human resources development		
14-1) Elementary and secondary education	5 4 3 2 1 N/A	5 4 3 2 1 N/A
14-2) College/University education	5 4 3 2 1 N/A	5 4 3 2 1 N/A
14-3) Vocational education	5 4 3 2 1 N/A	5 4 3 2 1 N/A
14-4) Training programs for skilled engineers	5 4 3 2 1 N/A	5 4 3 2 1 N/A
15) Industrial and Trade development policy		
15-1) Financial Support (subsidies, loans, export finance, insurance, etc.)	5 4 3 2 1 N/A	5 4 3 2 1 N/A
15-2) Tax preferences (tax reduction, tax credit, etc.)	5 4 3 2 1 N/A	5 4 3 2 1 N/A
16) Response to the trade liberalization (WTO, AFTA, bilateral FTAs)		
16-1) Reduction of import tariffs for raw materials	5 4 3 2 1 N/A	5 4 3 2 1 N/A
16-2) Reduction of obstacles for foreign export	5 4 3 2 1 N/A	5 4 3 2 1 N/A
17) Establishment and operation of the export processing zone	5 4 3 2 1 N/A	5 4 3 2 1 N/A
18) Efficiency of the customs procedure	5 4 3 2 1 N/A	5 4 3 2 1 N/A

3. Evaluation of trade-related services for companies by the government

From 19) to 22) please answer your company's satisfaction level on the government's services as of 2000 and 2004, respectively

(5: very satisfied 4: satisfied 3: almost satisfied 2: a little unsatisfied 1: unsatisfied N/A: Unable to answer)

	a) Individual counseling, Consulting	b) Training, Seminar	c) Trade Fair, Exhibition	d) Provision of information
19) Production (specification, quality management, process management)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A		2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A		2004 5 4 3 2 1 N/A
20) Product development (design, packaging)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A		2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A		2004 5 4 3 2 1 N/A
21) Marketing (getting market information, customer development)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A
22) Trading business (export-import business, knowledge of relevant systems)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A		2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A		2004 5 4 3 2 1 N/A

4. Evaluation of Trade-Related Services for Companies by the Business Sector

From 23) to 26) p lease answer your company's satisfaction level on the services provided by business and industry groups, private companies as of 2000 and 2004, respectively.

(5: very satisfied 4: satisfied 3: almost satisfied 2: a little unsatisfied 1: unsatisfied N/A: Unable to answer)

	a) Individual counseling, Consulting	b) Training, Seminar	c) Trade Fair, Exhibition	d) Provision of information
23) Production (specification, quality management, process management)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A		2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A		2004 5 4 3 2 1 N/A
24) Product development (design, packaging)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A		2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A		2004 5 4 3 2 1 N/A
25) Marketing (getting market information, customer development)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A
26) Trading business (export-import business, knowledge of relevant systems)	2000 5 4 3 2 1 N/A	2000 5 4 3 2 1 N/A		2000 5 4 3 2 1 N/A
	2004 5 4 3 2 1 N/A	2004 5 4 3 2 1 N/A		2004 5 4 3 2 1 N/A

5.Evaluation of your company's performed work

In items 27) to 30), please answer the questions about your company's overall competitiveness, number of skilled/ specialized staff, and technology/know-how. Please answer the situations in 2000 and 2004, respectively. Note that a) number of skilled/specialized staff and b) technology/know-how are regarded as key components of overall competitiveness.

27) Production (specification, quality management, process management)

Overall Competitiveness	Sufficient global competitiveness	Top companies in the country	Same as fellow traders	Inferior to fellow traders	Undeveloped	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
a) Number of Skilled/ Specialized Staff	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
b) Technology/ Know-how	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A

28) Product development (design, packaging)

Overall Competitiveness	Sufficient global competitiveness	Top companies in the country	Same as fellow traders	Inferior to fellow traders	Undeveloped	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
a) Number of Skilled/ Specialized Staff	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
b) Technology/ Know-how	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A

29) Marketing (getting market information, customer development)

Overall Competitiveness	Sufficient global competitiveness	Top companies in the country	Same as fellow traders	Inferior to fellow traders	Undeveloped	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
a) Number of Skilled/ Specialized Staff	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
b) Technology/ Know-how	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A

30) Trading business (export-import business, knowledge of relevant systems)

Overall Competitiveness	Sufficient global competitiveness	Top companies in the country	Same as fellow traders	Inferior to fellow traders	Undeveloped	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
a) Number of Skilled/ Specialized Staff	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A
b) Technology/ Know-how	Highly sufficient	Sufficient	Almost sufficient	Insufficient	Severely insufficient	Unable to answer
2000	5	4	3	2	1	N/A
2004	5	4	3	2	1	N/A

6. Acquisition of ISO (International Standardization Organization) authentication

31) Please indicate year of your company's acquisition of ISO Standards authentication.

31-1) ISO9000 (Quality Management System)	a. Acquired (in)	b. To be Acquired (scheduled for acquisition in)	c. No plans to acquire
31-2) ISO14000 (Environment Management System)	a. Acquired (in)	b. To be Acquired (scheduled for acquisition in)	c. No plans to acquire
31-3) Other International Standards			
Name of the standard ( )	a. Acquired (in)	b. To be Acquired (scheduled for acquisition in)	
Name of the standard ( )	a. Acquired (in)	b. To be Acquired (scheduled for acquisition in)	

7. Assistance from foreign aid donor agencies

32) Have you ever received assistance from foreign aid donor agencies? If so, please specify the names of agencies and assistance provided by the donor agencies.

32-1) Names of Donor Agencies (Circle the alphabet(s) in the right cell)	a) JICA (Japan) b) JETRO (Japan) c) AOTS (Japan) d) CIDA（Canada) e) USAID（USA） f) AUSAID (Australia) g) GTZ（Germany） h) ADB (Asian Development Bank) i) World Bank j) Others (please specify:) k) N/A (unable to answer for any reason)
32-2) Forms of assistance by foreign donor agencies (Circle the alphabet(s) in the right cell)	a) individual counseling/ consulting b) training, seminars c) trade fair, exhibition d) provision of information e) financial assistance f) others (please specify:) g) N/A (unable to answer for any reason)

8. Suggestions for future efforts by the government

33) Please provide suggestions for future efforts by the Government so that it can better serve the needs of your company in export promotion

( )

Thank you for your cooperation.

Field study schedule

＜First field study＞

	Date	Activities	
1	3/6 San	11:30 Departure from Osaka (NH5863) 17:25 Arrival in Kuala Lumpur (Matsuoka, Takahashi)	11:45 Departure from Tokyo (JL723) 18:30 Arrival in Kuala Lumpur (Mizuta, Kozu)
2	7 Mon	AM Courtesy visit and Interview to the JICA Malaysia office PM MATRADE, and MITI	
3	8 Tue	JETRO Kuala Lumpur Center Japanese Chamber of Trade and Industry, Malaysia National Chamber of Commerce and Industry Federation of Malaysian Manufactures	
4	9 Wed	11:50 Departure from Kuala Lumpur (MH704) 15:45 Arrival in Manila (Matsuoka, Takahashi, Mizuta, Kozu)	
5	10 Thu	AM Courtesy visit and Interview to the JICA Philippines office PM PTTC, and DTI	
6	11 Fri	JETRO Manila Center Japanese Chamber of Trade and Industry, the Philippines Philippine Chamber of Commerce and Industry Federation of Philippines Industries	
7	12 Sat	14:15 Departure from Manila (SQ073) 17:45 Arrival in Singapore 18:45 Departure from Singapore (SQ166) 19:20 Arrival in Jakarta (Matsuoka, Takahashi, Mizuta)	14:50 Departure from Manila (JL742) 19:50 Arrival in Tokyo (Kozu)
8	13 San	Team meeting	11:25 Departure from Tokyo (JL725) 17:05 Arrival in Jakarta (Kobayashi)
9	14 Mon	AM Courtesy visit and Interview to the JICA Indonesia office PM ITTC, and NAFED	
10	15 Tue	JETRO Jakarta Center Jakarta Japan Club Jakarta Chamber of Commerce and Industry	
11	16 Wed	13:10 Departure from Jakarta (TG434) 16:40 Arrival in Bangkok (Matsuoka, Kobayashi, Takahashi, Mizuta)	
12	17 Wed	AM Courtesy visit and Interview to the JICA Thailand office PM ITTI, and DEP	
13	18 Fri	JETRO Bangkok Center Japanese Chamber of Trade and Industry, Thailand Thai Chamber of Commerce and Industry Federation of Thailand Industries	
14	19 Sat	09:10 Departure from Bangkok (JL728) 16:15 Arrival in Osaka (Matsuoka, Takahashi)	08:30 Departure from Bangkok (JL708) 16:10 Arrival in Tokyo (Kobayashi, Mizuta)

＜Second field study＞

	Date	Activity	
1	5/22 Sun	14:25 Departure from Osaka（JL713） 22:05 Arrival in Jakarta （Matuoka, Takahashi）	11:25 Departure from Narita（JL725） 16:50 Arrival in Jakarta （Kobayashi, Mizuta）
2	23 Mon	8:30 Mr. Toru Honma, Assistant Resident Presentative, JICA Indonesia Office 10:00 Institute for Economic and Social Reserch, Faculty of Economics University of Indonesia 11:30 Material compilation（BPS）	
		14:00 IETC	
3	24 Tue	11:10 Departure from Jakarta（MH710）	
		14:10 Arrival in Kuala Lumpur	
		17:00 The Japanese Chamber of Trade & Industry, Malaysia	
4	25 Wed	9:30 MIER	
		14:00 MATRADE Export Facilitation Division	
		20:15 Departure from Kuala Lumpur（TG418） 21:25 Arrival in Bangkok	
5	26 Thu	7:30 NIDA Dr. Dr. Wisarn Pupphavesa, Director, The Center for International Economics and Development Studies (at the hotel) 8:30 Mr. Inoue, Assistant Resident Represntative, Planning &Coordination Section, JICA Philippine Ofiice 10:30 Dr. Sopon Thitisuja, Faculty of Economics Thammasat University (at the hotel)	
		Material compilation, National Statistical Office Dr. Chayun Tantivasadakarn, Associate ProfessorFaculty of Economics Thammasat University	
6	27 Fri	09:10 Departure from Bangkok（JL728） 16:35 Arrival in Osaka （Matuoka, Takahashi）	08:35 Departure from Bangkok（JL708） 16:35 Arrival in Narita （Kobayashi, Mizuta）

＜Third field study＞

	Date	Activity	
1	8/3 Wed	10:45 Departure from Osaka (TG621) 13:35 Arrival in Manila (Matsuoka, Takahashi)	09:40 Departure from Tokyo (JL741) 13:00 Arrival in Manila (Kobayashi, Mizuta,)
		16:00 JICA Philippine Office Mr. Shozo MATSUURA (Resident Representative JICA Philippines) 18:00 De La Salle University Dr. Eric Batalla, Dr. Francisco Magno (La Salle Institute of Governance)	
2	4 Thu	9:00 Board of Investments, Department of Trade and Industry (DTI) Mr. Masaharu TAMAKI (JICA Long Term Expert in SME Promotion Policies) 11:00 Office of Operational Planning, DTI Dir. Mary Jean T. Pacheco, Director, Office of Operational Planning, DTI 14:00 Center for International Trade Expansions and Missions (CITEM) Ms. Dorris Gacho, (Asst. Div. Chief, Corporate Planning Division)	9:30 CTC Exports (Marilao Bulacan) 13:30 Maxi-Metal (Caloocan City)
3	5 Fri	9:00 Bureau of Small and Medium Enterprise Development, Department of Trade and Industry Ms. Alice Opena (Division Chief), Mr. Jerry Clavecillas (Assistant Director) 13:00 Bureau of Export Trade Promotion, DTI Ms. Cristina Gonzales (Division Chief, Technical Staff) 16:00 JICA Philippine Office Mr. Shozo MATSUURA (Resident Representative JICA Philippines)	
4	6 Sat	14:40 Departure from Manila (TG621) 16:45 Arrival in Bangkok *all members	
5	7 Sun	Internal meeting	
6	8 Mon	・Department of Export Promotion (DEP) ：原則として各部局の政策・企画担当者 （Office of Export Service） International Trade Information Center Office of the Export Planning （Office of Overseas Trade Fair Activities） Product Development Center ・Office of Small and Medium Enterprise Promotion ・（Thailand Board of Investment） ・質問票調査対象企業２社（軽工業、SI 各１社）	
7	9 Tue		
8	10 Wed	09:10 Departure from Bangkok (JL728) 16:35 Arrival in Osaka (Matsuoka, Takahashi)	08:35 Departure from Bangkok (JL708) 16:35 Arrival in Tokyo (Kobayashi, Mizuta)

＜Fourth field study＞

	Date	Activity	
1	8/23 Tue	12:55 Departure from Osaka (JL721) 20:25 Arrival in Kuala Lumpur (Matsuoka, Takahashi)	12:25 Departure from Tokyo (JL723) 18:35 Arrival in Kuala Lumpur (Kobayashi, Mizuta,)
2	24 Wed	10:00-11:30 Electrical and Electronics Unit, MATRADE	A.M. HYT Food Industries SARJET Corporation
		14:30-16:00 Chemicals, Pharmaceuticals, Food, Agricultural Products and Fisheries Unit, MATRADE -Asian / African Division, MATRADE	
3	25 Thu	10:00-11:30 Planning and Strategy Division, MATRADE 13:30-15:15 Mr. Koichi Hayase, Senior Investment Advisor, JETRO 16:00-17:30 Mr. Abdul Hadi Othman, Senior Director, Strategic Planning, MITI (Division responsible for policy on small and medium sized enterprise and industry, and export promotion) -Industronics	
4	26 Fri	09:00-10:00 Ms. Norsalehah, (Director Strategic Planning Division, Small and Medium Industries Development Corporation (SMIDEC) 11:00-12:00 Dr. Mohamed Ariff, Malaysian Institute of Economic Research (MIER) 17:00-17:30 Mr. Akira Murata (Resident Representative, JICA Malaysia Office)	
5	27 Sat	13:35 Departure from Kuala Lumpur (MH721) 14:35 Arrival in Jakarta (Matsuoka, Kobayashi, Takahashi, Mizuta)	14:25 Departure from Osaka (JL713) 22:05 Arrival in Jakarta (Tanaka)
6	28 Sun	Internal meeting - Moving to Surabaya - 13:00 Departure from Jakarta 14:20 Arrival in Surabaya	
7	29 Mon	-Combined interview, the Regional Export Training and Promotion Center in Surabaya, and Bureau of Commerce and Industry, East Java Region -RETPC user company (Request to introduce the RETPC in Surabaya -SMEs or SI - Moving to Jakarta - -Departure from Surabaya - Arrival in Jakarta	
8	30 Tue	-Division responsible for policy planning on supporting industry, MOI -IETC -Naoki Ito, JICA expert, MOI Evening Mr. Shinobu Umeda, JICA Expert, Indonesia Investment Coordinating Board	
9	31 Wed	-Division responsible for policy planning, State Ministry for Cooperatives and Small-Medium Enterprises -Mr. Saburo Izumi, Senior Investment Advisor, JETRO -JICA Indonesia Office	
		23:20 Departure from Jakarta (Matsuoka, Takahashi)	22:35 Departure from Jakarta (JL726) (Kobayashi, Mizuta)
10	1 Thu	-Dr. Saman, Assistant Director for Industrial and Manufacturing Information, Central Bureau of Statistics -Mr. A. Anugrah, Director for Export and Import Facility Development, Ministry of Trade -NAFED 23:20 Departure from Jakarta (JL714) (Tanaka)	
		08:15 Arrival in Osaka (Matsuoka, Takahashi)	07:55 Arrival in Tokyo (Kobayashi, Mizuta)
11	2 Fri	08:15 Arrival in Osaka	

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