The Internationalization of Thailand's Automotive Industry: A Political Economic Analysis of The Late Developing State

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Abstract: With the rise of globalization, most countries depend heavily on increasing their competitiveness and building competitive advantages to sustain their economic development. In this context, one question is whether the late development states still follow the same patterns used in East Asia to build their industrial competitiveness. Moreover, how can the late development states create better investment environments to attract international capital and facilitate industrial development in today's free trade global market? The automotive industry is ranked as the fifth largest export industry in Thailand. In addition, as a car exporter, Thailand ranks the first among ASEAN countries and the third in Asia overall, and has the biggest automobile assembly base in the region. Thailand is thus the regional center of the East Asian automotive industry, and has earned a reputation as the "Asian Detroit." Consequently, it acts as an important example of industrial development for olate developing states. The purpose of this research is to discuss industrial growth in late developing states by looking at a single industry in a single country, namely the automobile industry in Thailand. The results show that unlike other East-Asian countries mode, Thailand lacks a powerful state and stable political economic situation, and thus cannot control its domestic industrial development. The internationalization of the automotive industry in Thailand has been a dynamic process. It began in the 1960s with the "dependence mode" in which foreign investments took the lead. In the early 2000s, "neoliberalism" became dominant, the country's industrial policy remained free and open, and the cooperation with multinational industries continued. During this stage, Thailand tried to integrate itself into the global industry by employing internationalization of production and marketing. Although Thailand has not been able to build up its own automotive brands in this process or change the original structure of the world's production system, it has still achieved a later-entrants advantage and the goal of industrial advancement by positioning itself appropriately in the international political and economic structure, and by taking advantage of the prevailing market mechanisms.
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I. Introduction

As car exporter, Thailand is the largest in ASEAN and the third largest in Asia overall, as well as being ASEAN's largest automotive market and assembler. However, rather than developing local brands, Thailand has chosen to collaborate with international automotive producers and become part of the global supply chain since this industry was first established in 1960s (Rasiah, 1999; Nenham, 2006:8). In addition, the automotive industry has been included in the list of five main industries that are being used by the government to attract more multinational manufacturers to build plants in Thailand. In a free trade agreement signed with Australia, New Zealand, and India, Thailand made auto parts the primary focus for tariff reduction in trade negotiations, in hope of entering international markets. Consequently, many important multinational auto manufacturers have chosen Thailand as a production base. Since 2005, pick-up trucks have been chosen as an additional focus of development, and Thailand has become the number one producer of these in the world (Rasiah, 1999:8). With these achievements, Thailand is now viewed as the regional center of the East Asian automotive industry, earning the reputation of being the "Asian Detroit", and thus setting an important example of industrial development for late development states**.**Many scholars believed that the State should intervene in industrial development by employing a protective policy, which means the government should have a direct control over production, distribution, and pricing, in order to make the most of all resources. Such countries are known as "developmental states", and typical examples are the "Four Asian Tigers" of East-Asia (Amsden, 1989:71). With the rise of globalization, most countries now depend heavily on increasing their competitiveness and building competitive advantages to sustain their economic development. With the rise of "late development states" in Southeast Asia, one question is whether they could copy the mode used by "developmental states" to achieve this? (Wang, 2003:1-44) . This research used the theory of historical institutionalism to examine the influence of globalization among the late development states in Southeast Asia by choosing Thailand's automobile industry as a case study (Soong, 2003:60; Katzenstein, 1987). Compared with other "developmental states", Thailand lacks a strong state and relative stable political economic environment, the State less able to control the development of domestic industry. The internationalization of Thailand's automobile industry matches the so-called dynamic process in the theory of historical institutionalism: initially, used "import substitution" as policy for a short period of time, then it was a "dependence mode" in which foreign investments take the lead; after the 1990s, based on neoliberalism, cooperation with multinational industries continued, and remained free and open policy tried to integrate itself into the global economy by employing internationalization of production and marketing. Based on the analysis of the automobile industry in Thailand, we found out the country's development mode is different from the other East Asia 'developmental states'. In the process of internationalization, although Thailand has not been able to build up its own automotive brands, and change the original structure of the world's production system, it has still achieved a later-entrants advantage and the goal of industrial advancement by positioning itself appropriately in the international political and economic structure, and by taking advantage of the prevailing market mechanisms (Amsden and Chu, 2003).

II. Theoretical Review: Industrial development and the political economics of the internationalization of the automobile industry

1. East Asian Developmental States

When discussing the industrial development mode in developing countries, two methods are normally used. Neoliberalism (also known as Neo-Classical Economics) believes that as long as the overall environment is good, industry will naturally exist according to the theory of comparative advantage. During the primitive stage, open market competition will force private enterprises to optimize resources in order to increase competitiveness (Balassa, 1982; Bhagwati, 1988:25-57). Neo-liberal scholars of liberalism accept this point of view and a typical book (Kruegert, 1993), The East Asian Miracle: Economic Growth and Public Policy, was published by World Bank in 1993..Their main conclusion of report was give up state control of prices to increase industrial competitiveness is to process of industrialization in developing countries. The concept of government giving up prices control that not only occurs in industrial development, but also in a country's trade policy. Neo-liberal economists proposed the idea of "comparative advantage" and believed that through technology transformation and capital flows, every country can proceed with the division of work based on this idea and earn profits from free trade. Free trade is thus seen as the best policy, as it can greatly improve the welfare of countries and their citizens. In short, for those economists who support the idea of free trade, imports and exports are not different from other economic activities. Trade is considered a part of production process. Through transnational transport, cheap commodities can become expensive. Like other economic activities, trade can totally depend on decentralized market mechanisms to be fully carried out. However, the concept of neo-liberalism has been challenged since the end of the world war two, and school of development scholars have proposed explanation different from "neoclassical economics" (Fishlow, 1994; Lindauder and Roemer, 1994:12) . They believed economic development was not achieved solely due to "market" and "comparative advantage" factors. Specifically, they did not consider that the economic development of East Asian countries was based on government neutrality, and they criticized World Bank's report for neglecting the role of "state" in the industrial development (Zysman, 1995:1-3; Jomo, 2001:461-508) . In 1982, Chalmers A. Johnson proposed the concept of a "developmental state" in his research into Japanese industry. He advocated that in developing countries the State's efforts to promote economic development would contribute to the process of industrialization (Jhonson, 1982; Kumon and Rosovsky, 1972:109-141). Taking South Korea as an example, Hasan believed that the main reason why it was able to achieve successful economic development was the level of government intervention in the economy. Hasan stated that "South Korean economy relatively depends on the central government's control over the private enterprise. The State not only can formulate policy and regulations, but also can influence the economy through market mechanisms." (Hasan, 1976) Alice H. Amsden's research also has similar conclusion (Amsden, 1989:71). To put it simply, scholars who have advocated the idea of a "developmental state" believe that developing countries should intervene in industrial development by employing protectionist policies, which means that the government should have direct control over production, distribution, and pricing, in order to make the best utilization of a nation's resources (Kuckiki, 2007:3-6). Although libertarianism might aid industrialization, without market mechanisms and modern technology it will be difficult for developing countries to attract private investments, and the risk to industry would be too high to promote production. In the context of limited resources, in order to speed up the process of industrialization, it is thus necessary to employ selective intervention (Qu, 1997:99-100). Following the concept of a "developmental state", some scholars have proposed that industrial development in the East Asian countries has had features of both "neo-classical economics" and "developmental states", and this is known as "institutionalism". Institutionalism states that economic policy output can promote the whole country's industrial development, although the related policies are based on political choices which are the result of collective action (Chang, 1994). According to T. S. Biggs and B. D. Levy, the success of one country's industrialization is determined by whether it has a "Strong state" or "Weak state". The former can lead industrial intervention, while the latter is able to regulate the private sector and thus can not make a positive contribution to the industrial policy (Biggs and Levy, 1991). Integrating these arguments, East Asian developmental states have the following three features:

a. On industrial policy, East Asian "developmental states" would provide all the necessary factors of production, even integrating the resources through state-owned enterprises, in order to reach the goal of national development (Freeman, 1982:90-112);

b. On industrial and trade policy, "developmental states" should have state autonomy to resist outside forces by means of policy intervention, including tariff and non-tariff protection policies, or imposing restrictions on imported products or foreign enterprises;

c. The goal of state development, East Asian "developmental states" should have effective organizational and operational abilities. Such state capacities include three important factors: "policy implementation", "good organizational arrangements", and "bureaucratic autonomy (Weiss, 2000:23)".

2. The concept of development in Southeast Asian

Many scholars believe that the concept of developmental states can explain the rapid economic development in East Asia, but whether this mode can be used to explain the situation in Southeast Asian countries is still questionable. Most scholars have highlighted the differences in economic development between East Asia (meaning especially the four Asian Tigers) and Southeast Asia, and concluded that apart from Singapore, Southeast Asian countries are not "developmental states." The essential differences between "East Asia" and "Southeast Asia" are as follows:

a. With regard to background, Southeast Asian ideology and cultural background are quite different to those that prevail in East Asia (Jomo, 2002:12-13);

b. On industrial and trade policy, most Southeast Asian countries employ minimal government-directed industrial policy (Doner, Ritchie and Slater, 2005:327), and the industrialization of most of them is still driven by FDI (Jomo, 2001:461-464);

c. With regard to organizational and operational abilities, Richard F. Doner stated that "the transformation of national economy should go through private sectors led by experts and technocrats. (Doner, Ritchie and Slater, 2005:327-328)"

Bureaucratic autonomy in East Asia is higher than in Southeast Asia, and therefore overall national interest has more priority than the special interests of individual organizations. The industrial policy in Southeast Asia is thus often determined by the bargaining model between "patron-client" and "multinational capital (Haggard, 1997:78-83; Felker, 2003:255-282)". Consequently, some scholars believe that "Dependency Development Theory" is a better explanation for the Southeast Asian late developmental mode (Abbott, 2003; Soong, 1996:21-43). Simply put, the key feature of the dependency development is to combine international capital, domestic capital, and the government to form a mechanism. Through the interaction of the interests, objectives, and power of these three parties, the developmental bargaining mode will be shaped and the national development will be determined (Evans, 1979:32-54). Dependency theory believes that due to the restriction of "structuralism" and "determinism", developing countries can only have a low level of development (Santos, 1970:231-236). In contrast, one dependency development theory scholar, former President of Brazil, Fernando Henrique Cardoso, has stated that if multinational corporations could transfer their production lines to developing countries, then the State would be able to cope with the resulting changes in the internal and external political and economic situations, and could still could reach their developmental goals under the structure of dependency (Hirst, 1999:68). Dependency development theory states the industrial development in developing countries involves the interaction between the State and multinational corporations, and thus focuses on what role is played by such corporations in the host country (Gilpin, 1975). Traditional dependency theory believes that multinational corporations are the avatar of post-imperialism, which has come to dominate the world's economy and thus become the leading driver of globalization (Hirst, 1999:68). Multinational corporations' scale, global production layout, and derivative intra-industry trade impact the structure of global international trade and the distribution of economics and technology (Barnet and Cavanagh, 1994). The main concern for multinational corporations' production layout is maximizing tax relief, lowering trade barriers, and the obtaining most efficient access to resources. Therefore, in order to have more favorable treatment and avoid restrictions, multinational corporations take actions to influence policies in the host country, especially industrial policy (Spero, 1994:264). The exploitation thus caused by multinational corporations can worsen the uneven distribution of wealth, while economic development and industrialization may be hindered (Jenkins, 1995). Scholars have stated that the "dependent relationship" in this theory will have external influences. However the emphasis on dependence will change the internal structure and may lead to "dependence transformation". Therefore, dependency development theory has a positive attitude toward multinational corporations. Evans combines the concept of " the State" in the host country with "international capital" and "local capital' to form a "triple alliance". The interaction mechanism among these three elements is conducive to industrial development, an in this process a dependency development mode is shaped and this drives the economic development of developing countries (Evans, 1979:32-54). The cooperation between developing countries and multinational corporations thus become "development by invitation (Cummings, 1987:9-45)". As R. Wade mentioned, multinational corporations care about the local markets of developing countries, and hope to integrate their industries into global production and supply chain, and they can help achieve this by providing modern technology, management and marketing techniques (Wade, 1990:231). The traditional concept of "dependency of low development" has thus been replaced by "dependency of acquired development".

3. Globalization and Internationalization of the Automobile Industry

Since the 1990s, globalization has been the main trend in the world's economy. With the elimination of trade barriers and subsequent growth in cross-border investment and world trade led by multinational corporations, the global industrial structure has changed significantly, and both states and enterprises must find roles in this new market through a process of self-positioning. For automobile firms in emerging countries, the key to their success or failure has been how they are able to adapt to this new situation, and thus this issue is of considerable interest to scholars and practitioners (Abdullah, 2006).

Among the past research on the political economic in developing countries, the automobile industry has often been used as cases study for development theorists (Jenkins, 1987; Jenkins, 1995:625-645; Doner, 1991), as its use of technology is often extended to other industries. Its manufacturing processes involve the upstream steel, electronic and plastic industries, and these significantly influence the downstream sales, service, maintenance, insurance, financing and loans industries (Dicken,1998:316; Humphrey, 2000:245-271; Konosuke, 1993). Consequently, based on different industrial development goals, many countries will use various policies, such as "origin requirements", "energy standards", "automobile import duty restriction", "restricted imports", "import quotas", and "import substituting industrialization strategy" to develop their automobile industry (Audet and Grasstek, 1997:18). For some developing countries, due to the limitations of capital and technology, it is necessary to gain help from foreign direct investment or multinational corporations. Hence, the interaction and relationship among the State, multinational corporations, and local capital has become a main concern for research into the political economic in the automobile industry (Audet and Grasstek, 1997:18). Generally speaking, there are necessary four stages of development for automobile firms if they are be able to export own-brand products:

The first stage: during the initial stage, with the lack of a strong domestic industrial base, "the import of complete build-up" is often undertaken. Normally the government will adopt an open trade policy to fulfill the need of the domestic market, and this then requires multinational automobile manufacturers set up local factories to form the base for industrial development.

The second stage: this is characterized by the processes of Semi-Knocked Down (SKD), and completely Knocked-Down (CKD). In order to establish industrial scale, the government usually will help the local industry to build up its supply chain, set rules for foreign automobile manufacturers, implement local content requirements (LCRs) via import substitution, and spur the production localization of key components (Jenkins, 1987). Not only assembly plants, but also the components supply chain will be built up in this stage.

The third stage: self-manufacturing. When the industry has developed to a certain degree and has the ability to manufacture key components, automobile manufacturers will move from "assembly" to "manufacturing". At this stage, the related components supply system will also have become mature and can offer the key technologies needed in this market.

The fourth stage: internationalization. When the local automobile industry has adequate manufacturing ability, the State can gain more profit by helping local manufacturers export cars to other countries, that is, industrial development will finally expand to overseas markets due to market the pressures of saturation (market drive) and international competition (competition drive) in the home country (Deresky, 1994).

When facing the current globalized political and economic structure, late development states need to deal with the issue of internationalization. Therefore, in the pursuit of internationalization, in addition to international market drive and industrial competition drive, government drive is also significant. The State must thus set appropriate trading policies, such as including domestic industries in free trade agreements, in order to encourage international economic and trade integration (Dicken, 1998:318). For this reason, in the framework of globalization, different countries have different strategy for the international market. For example, Mexico, Brazil, and Spain, all depend on multinational corporations and, according to the transnational division of labor and high-efficiency production, build up their international markets for in dominant areas such as market, location, and labor force. Korea and Malaysia chose another option to develop their automobile industries, and relied on the State intervention and protectionist policies, rather than multinational corporations. Through consolidation, production control, and the production of unified car models, they helped local automobile manufacturers to sell their cars overseas. These two different modes of development both have advantages and disadvantages (Tai, 2010:71-103).

III. The beginning of the automobile industry in Thailand (1961-1982)

1. The initial period (1961-1972)

Thailand's automobile industry started in the 1960s, and before this all cars was imported. After the military dictatorship and economic nationalism that was seen under the rule of Prime Minister Pibul Songgram in the 1950s , Prime Minister Sarit Dhanarajata (1958-1963) and Prime Minister Thanom Kittikachorn (1963-1973) advocated a relatively open policy to develop the national economy. Therefore, in 1959, Thailand set up the Ministry of National Development and National Economic Development Board, (NEDB), and put industrialization at the developmental priority (Haggard, 1997:78-104). This background contributed to the initial development of the automobile industry in Thailand, as it essentially followed the bureaucratic authoritarianism mode in which the State used economic technocrats to d Under the lead of technocrats, the early developmental period of Thailand's automobile industry employed two strategies. First, through the Automotive Industry Development Committee (AIDC) which was set up by Thailand's Ministry of Industry (MOI) and Parliament, became state corporatism mechanism to dominate policy-making and planning in favor of promoting industrial policy (Soong, 1996:68-69) .The Thai Automotive Company, the first automobile company in Thailand was set up in 1961. In addition to national integration, at that time Thailand lacked development experience and local personnel who are good at management, and thus needed help from foreign investment. Therefore, during the early days, the State invited multinational automotive groups and local investors (especially Chinese enterprises in Thailand) to form a joint venture. In 1962, the Office of Board Investment implemented the Investment Promotion Act, which offered many preferential terms for the car assembly industry to attract European and Japanese automobile manufacturers to cooperate with local enterprises in Thailand, and thus to establish an industrial base. In short, in the 1960s, Thailand employed two strategies, national integration and cooperation with foreign investment, and thus experienced a rapid increase in the production of assembled cars. These privileged assembly plants enjoyed lower tariffs because they imported huge amounts of components, and thus caused a serious trade deficit for Thailand, with the situation becoming even worse at the end of the 1960s. On the other hand, since the mid-1960s, calls for democracy had strengthened in Thailand, and people thus became discontented with military authoritarianism and the frequent associated coups, and so demanded democratic reforms (Fujita, 1998:149-187). Such demands were also reflected in economic policy. Through the Association of Thai Industry, local automobile manufacturers pressured the Automotive Industry Development Committee (AIDC), to slow the liberalization of industrial policy, and to stop establishing new automobile factories. Under this pressure, the State reexamined the direction of the development of the industrial sector, and turned to improve domestic industry by means of import-substituted industrialization (Doner, 1991:192).

2. The import substitution period (1972-1982)

To ensure survival of the industry, Thailand's Ministry of Industry accepted the Association of Thai Industries' suggestion and announced a comprehensive reform program for the automobile industry. According to this program, locally assembled cars should meet the requirement of 25% local content (Fujita, 1998:149-185). One reason for this was that Prime Minister Thanom Kittikachorn's economic philosophy had changed to embrace the concept of economic nationalism, with the aim of revitalizing industry, ending exploitation by foreign capital, and achieving national modernization. As for specific actions, Thanom believed the State should lead the development of the automobile industry through the interaction with domestic investors and use the Federation of Thai Industries as the organization of strategic development, and help local producers resist the competition from imports by adopting protectionist measures. In 1973, Prime Minister Thanom was forced into exile due to a revolution led by a student movement. Since then Thailand has had six prime ministers and many coups, although there were no significant changes in the country's economic policy. However, the State of Thailand increased the range of its control in 1972. In order to strengthen local industrial development and reach economies of scale in production, it restricted the number of models of domestic assembly cars in an attempted to further enhance localization and foster the development of component firms (Fujita, 1998:152). In 1978, the government prohibited of the import of Completely Built Units (CBUs) and increased tariffs on Completely Knocked-Down (CKD) units, as a further way of protecting the domestic automobile industry (Fujita, 1998:152). To sum up, though short-term democratic movements occurred in the early 1970s, under military authoritarian and civil-military co-governance, Thailand's industrial policy continued to follow an import substitution mode, and employed high tariffs and limits on the country of origin to protect the domestic automobile industry, while also restricting the number of car models to gain the economic benefits of production scale. Although these protectionist measures helped to increase the number of local component makers, protection did not lead to the rapid development of the local automobile industry, as high prices limited domestic demand, and thus further policy reforms were required (Doner, 1991:198).

IV. The transition period (1982-1990)

Due to political chaos in Thailand in the 1970s, the State put the focus of development on national security expenditure, and this greatly increased the country's trade and fiscal deficits (Lin, 1990:50). In 1980, with the support of both the military and many intellectuals, Prem Tinsulanonda (1980-1988) became the prime minister. Under 1978's constitutional framework, Thailand experienced a smooth political situation for eight years. In addition, during this period the Cold War had winding down, and many developing countries, including Thailand, then put economic development as a top priority. According to 1978's constitution, the prime minister only needed congressional consent to appoint citizens to cabinet positions, and such individuals could also keep their original positions in the private sector. Although this was very different to the system in Western democracies, since Prem became prime minister with the support of a consensus among the military, political parties, other factions and business interests, when the political structure changed, the industrial decision-making process also changed. As Thailand's political situation gradually opened up, enterprises began sending agents into political parties, parliament, and the cabinet to influence politics by becoming directly involved in the process of decision-making. During Prem's rule, deputy prime minister Pong Sarasin was the former chairman of industrial organization of Thailand, minister of industry Ob Vasurat was the former chairman of the Thai Chamber of Commerce, and Deputy Prime Minister Boonchu Rojanasathian was the former chairman of Thai Bankers Association. The Minister of industry, Ob Vasurat, even stated in cabinet that enterprises should be encouraged to be involved in Thailand's economic decision-making (Doner, 1988:1555). Reflecting this, among the members of parliament in 1980, at least 30% had a business background, and 40% of the members in the cabinet were from the business community (Cheng, 2008:159). Because of this Thailand made significant changes to it industrial policy, and its economic decision-making mode changed from one of bureaucratic polity to liberal corporatism (Laothamatas, 1992). ominate economic development (Soong, 1996:68-69). Now that Thailand's industrial policy was no longer under the lead of the State, its automobile industry policy saw significant changes including: interest groups and civil society would both influence automobile industry policy, multinational corporations promoted upgrading of automobile industry, and the State decided to employ an open trade an policy in this sector. 1. Interest groups and civil society begin to affect the formulation of industrial policy. After the second oil crisis in 1979, the prices of Thailand's agricultural products fell, and once again civil society demanded economic reforms (Kamaruding, 2003). In order to get loans from the World Bank and support from the United States, the National Economic and Social Development Board of Thailand (NESDB), which was responsible for the planning of economic policy, gradually loosened controls. Facing pressure from multiple forces in society and multinational corporations, the Joint Public Private Consultative Committee (JPPCC, set up in 1981, the communication platform between government and enterprises) proposed that NESDB should revise Thailand's economic policy, replacing import substitution with an export-oriented approach (Hewison, 1998:73) . Prime Minister Prem advocated that Thailand should follow the example of Japan's economic development mode to build public-private partnerships and what he referred to as "Thai Inc".

JPPCC represented the interests of all local business groups, and had the responsibility to communicate policies. To achieve this, it held monthly committee meetings, which served as a communication platform between business group leaders and high-ranking government officials. The resolutions of JPPCC wee sent to the cabinet or the relevant ministries for discussion (Cheng, 2008:160). Through JPPCC, the State of Thailand gradually loosened the control of license applications that was started in the1950s (Phongpaichit and Bajer, 2000:154), and this greatly influenced the development of automobile industry. One of the most important policy reforms was the freezing of 1978's "Ratio of Origin" requirement in 1982 (Fujita, 1998:152). As well as the JPPCC, the Association of Thai Industries (established in 1967) was renamed as The Federation of Thai Industries, and served as a platform of participating in making industrial policies for various industrial groups, including the automobile industry . In addition, the Thai Auto-Parts Manufacturers Association (TAMPA, established in 1978) also became a communication platform for components industries to participate in automobile industry policy decision-making. Under these various influences, component manufacturer, Siam Cement Group became the biggest industrial group in Thailand, and attracted many Thai enterprises to participate in the production of components by the means of its improved political and commercial relations. Without a doubt, these groups also urged government to adopt more open policies (Doner, 1988:1557). Thai firms and interest groups have influenced the policies related to the, as can be clearly seen in the development of domestic cars. In 1984, in order to increase the use of local components, the government announced a joint project between Peugeot France and local enterprises, known as the "Domestic car manufacturing project" (Kesavatana, 1989). According to the plan, 95% of the components of "Thai cars" were to be produced locally. However, as this might have caused a significant loss of tariffs for imported components, a number of interest groups were against this plan, and Minister of Industry Ob Vasuratna, who had business background, decided to terminate it (Doner, 1991:207). This event demonstrated that enterprises could influence economic policy-making in a significant fashion.

2. Multinational enterprises promote the automobile industry

After the 1980s, the middle-class had grown considerable in Thailand, the State gradually lost its ability to lead industrial policy, and the government bureaucracy also lacked effective tools to undertake this. Therefore, in the developmental mode, opening and renewing cooperation with foreign investors, especially Japanese multinational corporations, became necessary (Heggard, 1998:92).

After the Bowering Treaty was signed in 1885, Thailand started to open international trade, and its relations with multinational corporations naturally became closer. Because of this, Thailand's early stage of economic development relied on the processes of "dependency" and "economic interaction," which were formed by the situations of having a "UK-core" and "Thailand-frontier (Soong, 1996:117)". In the 1950s, Prime Minister Pibul Songgram implemented economic nationalism for the purpose of gradually improving Thailand's position in the international economic structure. However, Thailand continued cooperation with foreign investors and multinational corporations was able to help domestic industrialization (Soong, 1996:118). Through the import substitution policy in the 1970s, and the global economic recession, crop failure, shortage of foreign exchange reserves, and decline in declination of the 1980s, the State of Thailand successively issued many decrees to encourage foreign investment, in hope of stabilizing the country's overall economy and promoting industrial development (Sahasakul, 1989). For example, the 1983 amendment of Investment Promotion Act listed the scope of various investment projects for foreign investors, including ones focused auto parts, The Investment Promotion Act not only aimed to encourage and stimulate domestic and foreign investment, by exempting certain items from tariffs, but also tried to ensure that investment enterprises would not be nationalized, let alone be forced to compete with foreign investors, wit the utilization of state-owned enterprises (Lin, 1999:49). During the period of import substitution, European and American automobile manufacturers that imported car components to make assembly cars thus suffered significant loss. Furthermore, the political situation in Indochina and Thailand was not stable, and those manufacturers that came in the 1960s began to leave Thai market (Fujita, 1998:153). However, Japanese companies cooperated with local investors and transplanted its industrial supply chain to Thailand to produce components locally, and thus became the largest beneficiaries in the localization policy (Dodwell Market Consultants, 1984). Because of this, the Thai government has had a tendency to maintain cooperative relationships with Japanese multinational automobile manufacturers. Why Thailand was able to attract Japanese capital？ In 1985, the Plaza Accord forced the appreciation of the yen , and Japanese enterprises needed to move to overseas to lower-cost locations, and Thailand thus became the first choice for the Japanese automobile industry's overseas investment . Taking this opportunity, the State of Thailand offered more generous tax concessions to Japanese-based multinational corporations, and created a more conducive environment for their investments. These industry liberalization measures caused foreign investment (FDI) to rise, and since 1986, Thailand has become the most popular country for foreign investment in Southeast Asia (Warr, 1993:30-34).

Table 1. Foreign investment in Thailand 1980-1993

Unit: Million Thai Baht

	1980-5 average	1986	1987	1988	1989	1990	1991	1992	1993
Japan	1.7	3.0	3.3	14.6	18.8	27.9	15.6	8.6	9.3
Korea	-	-	-	0.3	0.3	0.5	0.3	0.3	0.4
Taiwan	-	0.1	0.7	3.1	5.1	7.2	2.8	2.2	1.4
Hong Kong	0.7	1.0	0.8	2.8	5.7	7.0	11.6	14.5	4.4
Singapore	0.7	0.4	0.5	1.6	2.7	6.1	6.5	6.7	5.8
USA	1.9	1.3	1.8	3.2	5.2	6.2	5.9	11.9	7.4
UK	0.3	0.3	0.3	0.9	0.2	1.1	0.3	3.2	4.1
Germany	0.2	0.2	0.4	0.6	0.8	1.2	0.8	0.6	0.8
Others	0.7	0.7	1.1	0.9	6.9	7.5	7.7	5.8	5.1
Total	6.1	6.9	9.0	28.0	45.7	64.7	51.4	53.8	39.0

Source: Bank of Thailand, Juan-Hui Lin, op.cit., , p. 71.

Foreign investment helped Thailand's automobile industry to accumulate learning experiences, and enabled local manufacturers to set up production processes, supervise and control quality, offer financial intermediation, and market products in export markets. Japanese companies not only brought orders, but also provided more job opportunities. Local workers engaged in production activities related to the automotive industry could also accumulate experience related to production technology. With the help of Japanese multinational corporations, Thai component manufacturers gradually began to flourish. Due to the increase in foreign capital, Thailand's economic growth rate was maintained at 9% on average, causing the rise of middle classes, which itself increased demand in the domestic automobile market . It led the State once again reconsider lifting restrictions on imports of foreign cars.

3. The State chooses a more open policy

Thailand entered into a semi-democratic period in the 1980s, while the business community, administrative bureaucracy and elected politicians played important roles in the decision-making process. Though the State still had control over society, but the relationship had become more tolerant, and enterprises were allowed to influence the politics. Since the 1980s, industrialization in Thailand was led by the private sector, and the State only played the role of a promoter (Ikemoto, 1992:172). For example, the State of Thailand hoped industries could develop their own competitive advantages, and thus aimed at the development of pick-up trucks (one-ton light trucks) to position Thailand as the global production center for such vehicles. The automobile industry is capital-intensive, and during the development stage the State of Thailand did not choose to intervene by using direct investment (such as developing state-owned enterprises). For the State of Thailand, the development goal for the automobile industry was to set up production bases through the use of foreign capital. As for local investors, by means of cooperating with foreign ones they could develop the production of components and accumulate business experience. Compared with other Asian leaders during the same period, such as Indonesia's Suharto, Malaysia's Mahathir, and the Philippines' Marcos, Thailand lacked a political leader who utilized a highly centralized form of leadership and governance, and hence could not fully control the industrial development (Doner, 1988:1561). Due to the weak organization, the collusion of Thailand's state bureaucracy corrupted and alliances with commercial interests all infringed on the autonomy of the State after 1985. In 1988, Premier Minister Chatichai Choonhavan took office, and begun to adopt a development-oriented economy with a focus on the market. However, the government was afflicted by corruption and bribery, and this contributed to the military coup that occurred in 1991 (Bunbongkarn, 1996:27). This did not mean that the automobile industry's decision-making process was completely controlled by foreign investors or interest groups. In Latin America, import substitution was implemented at an early stage, so that multinational corporations could control industries (Amsden, 2003). But in Thailand, local investors shouldered the main duties of production and learning, and did not operate in line with expectations of dependency theory. In one prominent article, Donner stated that in the 1980s, although the industrial policy of Thailand had successfully attracted foreign investors and supported the connection between multinational corporations and local investors, the State of Thailand still retained autonomy, and served as the communication bridge between these groups. Through cooperation with multinational corporations, local investors were thus able to expand the market and upgrade their technology (Doner, 1988:1561).

V. The period of industrial internationalization (1990-)

The political situation in Thailand gradually stabilized in the 1990s. Prime Minister Anand Punyarachun abolished many restrictions on automobile industry, and this assisted the export of whole cars and components. In addition, as Thailand was the first country in Southeast Asia to implement liberalization in its automobile industry, it could thus gain first mover advantage. This process included two major processes, the internationalization of production and of marketing.

1. Internationalization of production: relaxation of import controls and cooperation with foreign investors

The first step for internationalization of production was to open local market. In 1991, Thailand partially opened automobile imports and substantially cut tariffs on vehicles and components. The main reason why this was undertaken was that the State of Thailand had sensed that in order to reach the goal of internationalization, it would be necessary to closely follow the trends of technological development in the major producing countries, such as those in Europe and Japan, and thus it adopted an open industry policy and chose the development mode of cooperation with foreign investors. The Thai government thus undertook a series of measures, such as abolishing the restriction on foreign car companies setting up factories in 1993, and offering investment incentives for automobile assembly plant in 1994, including an export tax rebate and an eight-year corporate income tax exemption (Lin, 1999:4). Due to this new open policy with regard to imports, a large number of low-cost cars from Korea and Europe began to enter the Thai market, which was then dominated by Japanese vehicles. Moreover, Japanese market share dropped from 79% in 1990 to 68.7% in 1995 (Fujita, 1998:154). In order to strengthen industrial competitiveness, Japanese automobile companies increased the number of locally made low-priced cars, and thus so-called "Honda City" and "Toyota City" industrial developments appeared in Thailand (Fujita, 1998:154). Because of these large investment projects, the growth rate of automobile manufacturing in Thailand from 1990 to 1994 was the highest in the world, with the annual growth rate of the domestic market reaching up to 20% (Fujita, 1998:154).

The Asia financial crisis of 1997 hit Thailand's automobile industry, significantly cutting demand in domestic and regional markets, and the scale of automobile production shrank 40%. In response to the crisis, the State decided to maintain a positive and open policy, with four main strategies.

First, the five-year economic development plan of 1998, in which the development goals of the automobile industry were set as follows: Thailand should become the automotive manufacturing center in Asia, and use its powerful domestic supply chain to increase product added value. Since Thailand implemented a liberalization policy earlier then other countries, many multinational corporations had already invested considerable "sunk costs". In addition, with the help of Toyota's "world car" concept, Thailand's whole car and components exports could be incorporated into Southeast Asia's regional markets through international automobile plant's marketing capabilities.

Second, because many components factories were on the brink of collapse during financial crisis, "Foreign Business Act" was relaxed restrictions on foreign investment projects in 1999, and allowed foreign investors to completely own their Thai subsidiaries, and encouraging them to purchase nearly bankrupt factories. In this way, the problem of overcapacity caused by the shrinking domestic market could be solved, while the more immediate rewards thus offering to foreign producers encouraged even more investment.

Third, Thailand joined World Trade Organization (WTO) in 2000, and multinational corporations were thus allowed to set up wholly-owned companies, without the need to use locally made vehicle components, and this also lead to a rise in the number of multinational corporations investing in Thailand automotive industry. Especially automobile component production technology is patentable, in order to protecting their patent assets multinational corporations normally set up subsidiaries by taking a majority stake or fully-owning them. The relaxation of foreign capital restrictions due to the WTO thus accelerated the rate of factory expansion. When foreign investors could fully own their subsidiaries, products could be exported to assembly plants in other countries through the global component supply system, thus building up Thailand's involvement in the international market system.

These policies lead to rise in direct foreign investment, and many scholars believe that this is the main reason why Thailand was become the main automobile production hub in Southeast Asia (Kohpaiboon, 2007:8). After 1998, even more multinational corporations set up plants in Thailand (see Table 3), including the world-class Japanese auto parts makers, DENSO and DANA. According to Archanun Kohpaiboon's statistics, a quarter of foreign investment in the manufacturing sector from 1999 to 2005 was concentrated in automotive related industries, as shown in Table 2 (Kohpaiboon, 2007:8).

Table 2. Multinational automobile related investments since Thailand's open market policy in the 1990s

Year	Foreign investor	Investment (million baht)	Item
1994	MMC Sittipol	6,022	Sedan
1995	Hoda Automotive	2,525	Automobile assembly
1995	Siam VMC Automotive	700	Pick-up
1995	Toyota Motor	8,146	Automobile assembly
1996	Auto Alliance	8,917	Pick-up
1996	General Motors	16,200	Sedan
1998	Auto Alliance	998	Vehicle body
1998	BMW	1,295	Sedan
1998	Hino	806	Pick-up
2001	Fiat Auto	524	Sedan
2001	Siam Nissan Automotive	8,269	Automobile assembly

Source: Authors calculated from TAPMA Yearbook, 2007, ＜http://www.thaiautoparts.or.th＞ 2010/7/20

Fourth, at this period factories funded by native Thai investors normally produced low-priced factory components, focusing on relatively low-tech items, such as those related to exterior modification. These firms mainly served local price-conscious customers or budget auto repair shops. For the purpose of promoting industrial development and the specialization of domestic manufacturing systems, the government allowed foreign capital to dominate the car assembly industry, while local investors focused on the supply chain of related components.

1997's financial crisis brought new opportunities for Thailand's automobile industry. Prime Minister Thaksin Shinawatra took office in 2001 and accepted competitiveness guru Michael Porter's suggestion to choose five competitive industries: tourism, fashion, food, software and computer animation, and automobiles, of which the last was chosen as the most important (Ketels and Porter, 2003).

Thailand further proposed a "Vision 2020" program, which was an attempt to transform from the focus of investment from labor-intensive industries to capital-intensive ones. The government thus announced the opening of the following six centers, "World Kitchen", "World Medical Center", "Oriental Detroit", "Asian Tourism Resources", "Asian Tropical Dress and Fashion Center", and "World Rubber and Related Products Manufacturing Center" as indexes for industrial development, and offered further investment incentives to attract foreign capital. The automobile industry was included in the "Oriental Detroit" project.

In part as a result of this policy, Thailand now has 14 automobile assembly plants, of which 12 are 100% foreign-owned, including ones operated by three major U.S. automakers, as well as firms from Japan and Europe. Thailand is also Toyota's second-largest overseas market. According to statistics from the "The International Organization of Motor Vehicle Manufacturers", the automobile industry is Thailand's third largest industry, employing more than two hundred thousand people. In 2008, Thailand produced 1,393,742 cars, becoming the world's thirteenth largest producer, and ranking third in East Asia, after Japan and Korea .

2. Internationalization of the market: industrial policy transforms into trade policy

As mentioned above, during the process of internationalization, in addition to marketing and competitive efforts, the government's industrial policy is also important when facing globalization and international economic integration. As to automobile industry's internationalization, most developing countries only focus on building firms that can operate as component OEM, while Thailand has been one of the few countries to export fully built cars. Due to the fact that the domestic market could not accommodate large-scale manufacturers and sustain economic growth, in 1993 the Thai government announced an "Automobile Industry Export Promotion Program", which transformed the domestic market-oriented industrial policy to an export-oriented one, and thus promoted exports to balance increasing import competition. This policy leads to annual increases in the amount of components that were exported (Kohpaiboon, 2007:6) In addition to government incentives, another advantage that Thailand's automobile industry has with regard to exports is closely related to geography. In the process of production and marketing, the cost of transportation and packaging is relatively high, thus the automobile industry tends to choose regional centers as production locations in order to reduce shipping costs. This has benefited Thailand, as it is located in the heart of Southeast Asia. In addition, other government actions to aid the Thai automobile industry have been as follows: promoting the automobile industry as a key item in the ASEAN free-trade agreement; including the industry in the negotiation list in bilateral free trade agreements with China, Australia, and India; and reducing non-tariff trade barriers . As well as the WTO, which Thailand joined in 2000, the regional integration of the ASEAN Free Trade Area (AFTA) has also hastened export liberalization. According to the norms of the ASEAN Free Trade Area, ASEAN members Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand's import tariffs and non-tariffs were lowered to between 0 and 5% in 2003. The ASEAN Industrial Cooperation Scheme (AICO) states that when a country's auto parts manufacturing industry meets the standard of using parts that are 40% locally made, it can enjoy 0 to 5% special tariff within ASEAN. Thailand implemented its liberalization policy earlier than other member countries, and its tariff reduction projects met the time frame and standards set out in this free trade agreement. Therefore, since 2003, Thailand has reduced tariffs on imported cars to 5%, becoming the country with the largest tariff reductions in Southeast Asia (Xu, 2002). (See Table 3).

In short, to achieve the aim of becoming the automobile production base in Southeast Asia, Thailand must solve the problem of its insufficient domestic auto market. In addition, measures to outwardly expand and internationalize the industry are attempts to increase its export competitiveness. ASEAN is an emerging market with a population of nearly five hundred million people, and when Thailand implemented the 5% tariffs reduction in the ASEAN Free Trade Area, it was the greatest beneficiary of this process of regional integration, with its exports increasing each year, as shown in Table 4 (Cheng, 2006).

Table 3. ASEAN countries' tariff reduction process table for imports of fully assembled cars (CBU)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010
Thailand	15%	5%	→	→	→	→	→	→	0%
Philippines	20%	5%	→	→	→	→	→	→	0%
Indonesia	5%	→	→	→	→	→	→	→	0%
Malaysia	No reduction	No reduction	No reduction	15%	%5	→	→	→	0%
Vietnam	No reduction	No reduction	No reduction	No reduction	20%	→	Plan to be 20%	Plan to be 5%	→

Note: Although Malaysia agreed to begin the tariff reduction in 2006, foreign car imports are still restricted by franchise licenses.

Source: *ASEAN Automotive Integration: Private Sector Perspective*, reference paper in the 8th APEC Automotive Dialogue, Bali, Indonesia, 15-18 May 2006.

Table 4. Automobile production, sales and exports in Thailand (1997-2009)

Year	Total production	Passenger Cars	Buses	Pick-up trucks	The annual exports (Baht)
1997	**358,686**	111,937	914	245,731	20,722.84
1998	**143,250**	19,078	637	123,535	34,110.33
1999	**321,411**	72,716	81	248,614	60,105.53
2000	**405,761**	97,129	0	308,632	83,245.46
2001	**454,797**	156,066	271	298,460	107,110.16
2002	**564,392**	169,321	388	394,683	107,729.72
2003	**750,512**	251,684	9,220	489,608	138,161.39
2004	**960,371**	299,439	5123	655,809	202,079.9
2005	**1,125,316**	277,603	412	847,301	294,243.9
2006	**1,193,885**	298,819	272	894,794	342,655.95
2007	**1,301,149**	329,223	578	971,348	469,303.35
2008	**1,391,728**	399,435	376	991,917	516,243.89
2009	**999,378**	313,442	458	685,478	379,486.62

Source: Statistics by the author based on figures from the Automotive Institute of Thailand ＜http://www.thaiauto.or.th/Records/eng/records_menu_eng.asp＞ **(2010/5/31)**

Finally, in addition to geographical conditions and the government's policy incentives, Thailand's export competitiveness is closely related to cooperation with foreign investors. In terms of market size, while Malaysia is the largest car market in Southeast Asia, it's the government insists on the protection of its domestic brand and car manufacturer PROTON, thus setting a high barrier to foreign investors. This high level of protection means that cars produced in Malaysia lack competitiveness. In contrast, the high level of cooperation with multinational automobile companies has greatly aided Thailand's car production grows and exports (Tai, 2009).

VI. The political and economic assessment in Thailand's automobile industry development

1. Industry establishment and the political and economic environment

As mentioned earlier, in discussing Thailand's political and economic development, many scholars believe that the greatest difference between it and other East Asian developmental states is that since 1970s Thailand have not had a strong state able to develop performance standards and regulate capital. Such scholars reason that a developmental state's industrial policy can be more successful when the State has a certain degree of autonomy to regulate capital and intervene in industry. Because of the post-war historical background, the governments in many developmental states in East Asia were strong enough to intervene in industrial policy through their authoritarian rule. Although from the 1950s to the 1990s, Thailand also often underwent military rule (Cheng, 2009:65-116), due to a lack of stability and strong state, Thailand did not see the conditions of other developmental states in the region and thus and could not lead the area's industrial development (Hawes and Liu, 1993:629-660) .

Under political and economic structure, neither state, nor multinational corporations nor domestic capital could lead the process of industrial development (Soong, 1994:63). Before the 1980s, Thailand was run by a military authoritarian regime, which followed policies of state capitalism and economic nationalism. After the 1980s, interest groups and civil society began to affect the formulation of industrial policy. Meanwhile, in order to promote economic development, Thailand encouraged multinational corporations to invest in the country. At the beginning of the 1990s, as politics became more open, Thailand also liberalized its industrial policy. The resulting dynamic and flexible industrial policy is the main reason why the Thai automobile industry has so quickly become internationalized.

In short, there is now a triple-alliance that oversees Thailand's industrial development, which is formed by the State in partnership with international and domestic capital. Under this system, all three parties try to achieve mutual benefits and growth under the structure of "dependency development" (Evans, 1979:32-54). In this sense, the choice of industrial development mode by a late development state is closely related to each country's own political and economic environment and historical context.

2. Globalization and multinational industry: push toward Neoliberalism

At the beginning of the 1990s, due to the more globalized world economy, East Asian countries were under pressure to reduce protectionism and liberalize their economies. As a late development state, Thailand's political and economic structures have the characteristics of an open economy, so multinational corporations are more willing to make it a regional production center, gradually building up economies of scale to meet the requirements of globalization. After the financial crisis in 1997, the ending of restrictions on foreign capital further strengthened Thailand's status as a regional production hub, and the automobile industry's target shifted from the domestic market to regional and international ones. The regional integration plan in the ASEAN Free Trade Area also helped to liberalize the car and auto parts market. As R. Wade note, in the era of globalization, multinational (auto) corporations invest in late development states not only to attain domestic markets, but also with he hope of integrating such operations into their global supply chains (Wade, 1990:231). When facing pressure to open its markets, the State of Thailand employed a "follow the market" policy, and thus continued to maintain industrial competitiveness and grab the opportunities presented by early liberalization (Amsden and Chu, 2003:200-211). The case of Thailand's automotive industry shows that the industrial development of late development states in Southeast Asia can follow a mode that different to the intervention seen in developmental states. First, Thailand made good use of "Dependency Development" theory during the 1980s and 1990s, as local enterprises attained the necessary technologies and resources from multinational corporations to increase their industrial competitiveness and accumulate experience. In addition to the "Dependency Development" mode, Thailand's automobile industry obviously adopted the concept of "neoliberalism" after opening up the market in the 1990s, established supplier relationships with multinational companies, and allowing them to completely own and operate subsidiaries. This strategy has three advantages: 1. it can produce a stable source of income to meet the needs of management and research; 2. it can maintain a good relationship with multinational corporations to attain the latest information about technology and the market; 3. it can promote product image and increase export competitiveness.

This proves that by operating with a relatively open mind, Thailand's automobile industry has been able to find its own position in the globalized production mode of transnational division, and is thus a successful example for other late development states.

3. Will a late development state become a leader?

Although Thailand's automobile industry successfully developed its production ability by following the principles of capitalism, so far it is still a follower and the possibility of catching up with the more advanced European and American car industries is relatively low. As mentioned in Arrighi, Drangel and Gereffi, in countries that are part of the globalized world system it is rare to find any who have significantly changed their positions, with 95% maintaining their the original places (Gereffi, 1992:107-139). For the automobile industry, when its development one nation has reached the internationalization stage, it is necessary to find an appropriate role in the international market through self-positioning. Thailand has chosen to work with multinational corporations, enter the supply chain of transnational and high efficiency production in order to build up an internationalized automobile industry. There is a now a question as to whether it is possible for Thailand's automobile industry to repeat South Korea's experience and break the dependency structure between the international political economy and its own production system, reach the goal of complete self-reliance, and sell its domestic car brands around the world. However, in this respect, success remains doubtful in the foreseeable future.

VII. Conclusion

Thailand's automobile industry has been considered as following the developmental model of Southeast Asia, and the purpose of this research is to examine it through a historical institutional analysis. Compared with other developmental states, Thailand lacks a powerful state and stable political economic, and thus has not been able to follow the example of East Asian developmental states with regard to government intervention in domestic industrial development. Due to this background, Thailand's automobile industry has operated in a "dependence mode" in which foreign investors took the lead. When the industry became mature in the 1990s, this mode changed from "dependency development" to one that followed the principles of neoliberalism, as it tried to integrate itself into the global industry and production division mechanism of free trade by employing internationalization of production and marketing. In short, this developmental process, from dependency development to neoliberalism, has been based on institutional change and innovation, If industrial internationalization is the ultimate goal for industrial development, the traditional theory of the East Asian developmental state is bound to be reexamined. Under different contexts, developmental state theory has lost its specific historical conditions, and the mode of East Asian developmental states is not necessarily applicable to the late development states in Southeast Asia (Wang, 2003:13). Especially since the international economic system in the 1990s became more globalized, late development states must open their economies and reduce protectionism (Wade, 2003:621-644). During the process of reaching the goal of internationalization, when external protection and the scope of intervention are restricted, the State in developing countries must employ different strategies and capacities to lead industrial development (Hitt, Hoskisson and Kim, 1997:767-798). The case of Thailand's automobile industry shows that through correct self-positioning in the international political and economic structure, and the use of market mechanisms, it is possible to build up a later-entrants advantage and achieve industrial development. This paper main argues that, Thailand's automobile industrial development mode provides late development states in Southeast Asia with a path different from those adopted by developmental states in East Asia. Nevertheless, as in J. Ruggie's "embedded liberalism", even though every nation's economic system is moving toward a market economy, they are also embedded in the context of their historical institutions, and thus they all have different adaptation methods for their economic policies (Ruggie, 1982:397-415). As for Southeast Asia's industrial development, Thailand's successful automobile industry is only a single case, since all nations have different political and economic conditions, and whether its example presents a natural path for other late development states to follow, is a topic worthy of further discussion. It is undeniable that, in the process of industrial internationalization, Thailand has only been able to find a position in the global industry division system, and has not been able to neither establish independent domestic brands, nor change its original position in the world production system. Thailand's automobile industry so far is just a follower, and if it intends to catch up with the independent development of advanced industrial countries, it still has a long way to go.

Appendix: The history of Thailand's automobile industry policy and changes in its politics and economy

Year	Industrial Policy	Political and economic changes	Theoretical meaning
1961	Thailand's fist automobile company established, Thai Automotive Company	Prime Minister Sarit Thanarat Military authoritarian rule	
1962	Implemented automobile assembly promotion system (CKD Import tariff rates 50% reduction in 5 years, 5-year corporate tax relief).	Prime Minister Sarit Thanarat Military authoritarian rule	Import Substitution Bureaucratic authoritarianism
1967	Increased CBU tariff rate to 60%, reduced CKD import tariff rate for sedans by 30%, special trucks 20%, and trucks 10%.	Prime Minister Thanom Kittikachorn Military authoritarian rule	Import Substitution Bureaucratic authoritarianism
1969	Automotive Industry Development Committee established	Prime Minister Thanom Kittikachorn	Bureaucratic authoritarianism State Corporatism
1972	Implemented restrictions on the origin of components, expected to reach 25% in 1975。	1970 to 1980, the reconciliation period between military and civilian	Import Substitution Bureaucratic authoritarianism
1978	Prohibited car import and establishment of automobile assembly plants, reexamine import tariff rate.	Prime Minister Kriangsak Chomanan The 1978 Constitution,	Import Substitution Bureaucratic authoritarianism
1980	Implemented restrictions on the origin of car components (planned to reach 50% in 1983).	In 1980, Prem Tinsulanonda took office under the support of military and civilian for 8 years Semi-democratic period In 1981, JPPCC established.	Coalition government must consider the benefit of different parties Industrial policy changed from import substitution to export orientation Middle class and social groups began to influence economic policy
1982	Froze the limit on the origin of parts to 45%.	Prime Minister Prem Tinsulanonda Semi-democratic period	Industrial policy changed from import substitution to export

		Middle class began to experience pressures of liberalization	orientation Business people entered into politics and began influence decision Started privatization
1983	Proposed new automobile industry development policy	Prime Minister Prem Tinsulanonda Semi-democratic period	Industrial policy changed from import substitution to export orientation
1985	Open import of sedans with 2.3 liter engines	Prime Minister Prem Tinsulanonda Semi-democratic period 1984, the world economic (oil) crisis	Industrial policy changed from import substitution to export orientation
1986	Small commercial vehicles must use locally produced engines, with investment from Japan, more local manufacturers participated in the production of components.	Prime Minister Prem Tinsulanonda Semi-democratic period Plaza Accord Large-scale investment of Japanese automobile companies.	Industrial policy changed from import substitution to export orientation Open to foreign investment Maintain the autonomy of the State
1989	mplemented the restriction of locally made engines to 20%	Prime Minister Chatichai Choonhavan Economic development	Industrial policy changed from import substitution to export orientation Further liberalization
1991	Open import of sedans with less than 2.3 liter engines. Import tariff rate for sedans with engines over 2.1 liters was reduced from 300% to 100%; less than 2.3 liters, from 180% to 60%.	Chaotic military coups Middle class had street protests Prime Minister Anand Panyarachun	Tried to change image after military coups Moves to further open economy. Prime Minister Anand supported ASEAN's AFTA plan.
1992	Import tariff rate of CBU changed, for sedans less than 2.4 liters, cut from 60% to 42%, over 2.4 liters, from 100% to 68.5%, special trucks, from 120% to 60%.	Prime Minister Chuan Leekpai Stable political situation	Further liberalization
1993	Abolished the restrictions on setting up automobile assembly plants. Began Auto Industry Export Promotion Plan.	Prime Minister Chuan Leekpai Stable political situation	Export oriented industry policy Open domestic market
1994	Implemented CBU preferential tariff.	Prime Minister Chuan Leekpai Stable political situation	Export oriented industry policy Encourage export
1997	Abolished unified price system for sedans less than 1.6 liters Allowed an increased ratio of foreign shareholding	Prime Minister Chuan Leekpai The Asian financial crisis led Thailand to further open its market, and foreign capital had easier access To it	Export oriented industry policy
1998	Relaxed the restriction on auto financing payment caps, which were relaxed from 48 months to 72 months, to expand domestic market.	Prime Minister Chuan Leekpai The Asian financial crisis	Export oriented industry policy
2000	Removed origin restrictions of auto parts joined WTO in 2000, abolished the restriction of locally made whole	Prime Minister Chuan Leekpai	Industrial internationalization

	car components, allowed multinational corporations to set up wholly owned enterprises.		
2003	According to the norms of ASEAN Free Trade Area (AFTAP), the tariff on automobiles imported in 2003 reduced to 5%, the automobile industry thus reached complete liberalization.	Prime Minister Thaksin Shinawatra	Industrial internationalization
2008	Vision 2020 was proposed in 2008, in an attempt to transfer the investment from former labor-intensive industries to capital-intensive industries, the automobile industry was promoted as "Oriental Detroit."	Prime Minister Samak Sundaravej transferred power to Prime Minister Abhisit Vejjajiva. Political upheaval never influenced Thailand's liberalization policy	Industrial internationalization

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