THE NEED FOR FDI INVESTMENT OF LATEX RUBBER IN THAILAND

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ABSTRACT

Foreign Direct Investment (FDI) has been an important element of economic development process in Thailand. It has been the growing importance of industrial competitiveness in an increasingly competitive global marketplace and the potential of the relationship between FDI and technological upgrading. This paper aims to investigate the need for FDI investment of latex rubber in Thailand. The primary data has been conducted through the interview, exploring two main questions: the most effective ways involving technology could transfer taking place through FDI; and (ii) how transfers could be accelerated and enhanced through FDI promotion policies. The results show that FDI could support the companies in deriving technology knowledge and experience in rubber processing technique and rubber business through exchanging of ideas, supplying of information, arranging of study visits, inviting company to attend meetings, holding seminar and organising training for both local and overseas attendees on appropriate occasions. Rubber marketing promotion is another function of the FDI that need to be concerned.

Keywords—Economy, Industrial development, FDI, Thailand

INTRODUCTION

The globalization is opening many opportunities for millions of people around the world through increased trade, new technologies, expanding media and internet connections, fuelling economic growth and human advances, and lastly but significantly the foreign investments. The past three decades have witnessed unprecedented and sustained high rates of economic growth most notably in the Asian newly industrialising economies (NIEs), with substantial involvement of Foreign Direct Investment (FDI) (Bende-Nabende, 2002). Moreover, FDI is said to stimulate economic growth through the creation of dynamic comparative advantages that lead to new technology transfers, capital formation, human resources development, expanded international trade, clean technologies and modern environmental management systems.

The role of FDI has been widely recognised as a growth-enhancing factor in developing countries. FDI enables investment receiving (host) countries to achieve investment levels beyond their own domestic saving. More importantly, FDI is an important means of transferring modern technology and innovation from developed to developing countries. FDI, therefore, provides a unique combination of long-term finance, technology, training, know-how, managerial expertise and marketing experience (Bende-Nabende, 2002). FDI is not only and exchange of the ownership of domestic investment sites from domestic residents to foreign residents, but also a corporate governance mechanism in which the foreign investor exercises management and control over the host country firm. However, there is convincing evidence that the growth enhancing effect from FDI seems to vary from country to country and for some countries FDI can even adversely affect the growth process (Balasubramanyam et al., 1996; Borensztein et al., 1998; De Mello, 1999; Lipsey, 2000 and; Xu, 2000). In other words, contrary to the popular belief, the growth enhancing effect of FDI is not automatic but depends on various country specific factors.

One such important factor is the nature of the trade policy regime in host countries. Starting with the pioneering paper by Bhagwati (1973), a sizable theoretical literature has explored to explain how the restrictiveness (openness) of the trade regime conditions the gains from FDI to host countries (Bhagwati, 1978, 1985 and 1994; Brecher and Diaz-Alejandro 1977; Brecher and Findlay 1983). A key hypothesis arising from this literature (which is now know as the 'Bhagwati hypothesis') is that gains from FDI are likely to be far less or even negative under an import substitution (IS) regime compared to a policy regime geared to export promotion (EP) regime. Despite its immense policy relevance, so far only a few studies have been undertaken to test this hypothesis empirically (e.g. Balasubramanyam et al., 1996 and Athurokola and Chand, 2000). Moreover, these studies have been conducted using inter-country cross sectional data. Cross-sectional regression analysis is based on the implicit assumption of 'homogeneity' in the observed relationship across countries. This is a very restrictive assumption because there are considerable differences across countries in relation to various structural features and institutional aspects, which have a direct bearing on the FDI-growth relationship. There are also vast differences among countries with respect to the nature and quality of data, which make cross-country comparison a rather risky business. More importantly, the cross-sectional approach cannot capture the dynamic effects of a shift from an IS regime towards an EP regime. There is therefore a need for systematic time-series analyses of individual country experiences in order to broaden our understanding of this important issue.

LITERATURE & THEORY

FDI is a fundamental component of an open and dynamic international economic system and a critical incentive for development. FDI has grown expeditiously and has shown higher changeability than international trade (Chen, 2000). As mentioned previously, FDI is very concentrated in certain countries over others. The influence of FDI on the host economy foreign trade is very distinct across countries and economic sectors. The essential trade-related advantage of FDI for developing countries depend on its long-term assistance The essential trade-related advantage of FDI for developing countries depend on its long-term assistance to integrate the host economy closer to the world economy in a way that involves higher import and exports. Because of the generating and promotion of foreign trade flows, inward FDI has great role in integrating developed and less developed countries into global economy. This can be approached by the improvement and boosting of international networks of connected affiliates, and also, by increasing the emphasis of foreign subsidiaries in multinational corporations' strategies for marketing, distribution and sales. As a result, trade and investment are increasingly acknowledged as a reinforcing method for cross-border activities (Christiansen, 2002). The Ownership, Location and Internalisation (OLI) paradigm explanation of FDI .The FDI theory that was propounded by Dunning (1989) is known as the OLI paradigm. It is similar in some respect to the theories discussed above. In explaining why TNCs undertake FDI rather than engaging in exports or contracting with foreign firms, the OLI theory considers three factors critical to the trans-national corporations. These factors are ownership, location and internalisation, hence the "OLI paradigm." The ownership consideration hypothesis states that firms that undertake investment in foreign countries must posses certain specific ownership advantages that enable them to overcome establishment and operating costs in a foreign and unknown environment of a foreign country (UNCTAD, 2000). These advantages which include such capacities as industrial organisation and management, resources, brand names, superior technology and other industry-specific advantages are costly and time-consuming to create, but can be transferred at low cost. The intending TNCs can transfer the advantages cheaply when investing in foreign countries. The initial ownership advantages enable the TNCs to invest abroad or built-up the already existing advantage-based assets. The next consideration, location, has to do with where firms will locate in the foreign country. In their choice of location, firms take into consideration such factors as transport costs, factor costs, market size and government policies which directly affect investment and related issues. In this way, the theory relates to the theory of trade that considers the comparative advantage principle. The third consideration to complete this paradigm is "internalisation". This is a conscious choice of the firm to internalise its advantages mentioned above, and invest abroad rather than sell these advantages to other firms. These advantages, as indicated above, are costly to establish and therefore are considered strategic to the firm.

2.1 FDI

In a globalisation and liberalising world, growth can be sustained only if countries can foster new, higher value-added activities, to produce goods and services, which can sustain their market shares in an open world economy. FDI and international production by transnational corporations (TNCs) can play an important role in complementing the efforts of national firms in this respect. For this reason, national governments have recognised that TNCs can provide a package of external resources that can contribute to economic development. Therefore, it is not surprising that developing countries have changed attitude and are now considering FDI as part of solution to their economic development. Subsequently, they have shifted from controlling and containing FDI to encouraging it. The growing importance and recognition of FDI is exemplified by the shift towards greater openness of national developing economies to FDI (Bende-Nabende, 2002). Nonetheless, it is obviously see that FDI, the principle agent of globalisation, can indeed impact negatively on the development process of a country. This is partly because the objectives of TNCs may differ from those of host governments. Their strategies, therefore, are not devoted to the development of the host country. Subsequently their needs and strategies may differ from the needs and objectives of the host country. For this reason, not all FDI is always and automatically in the best interest of the host country. In fact, FDI can have adverse effects on the host country's development. Thus, FDI offers a mixture of positive and negative effects to both foreign investor and the host country itself.

2.2 The Rubber Production in Thailand

In Thailand, rubber-growing areas in the South lacked the proper infra-structure to trade latex and sheet-rubber and to transport the new products overseas. This is why Bangkok naturally became the centre of rubber trading in the first stage of Thai rubber industry. The rubber traders in the 'early stage' were, for obvious reasons, mainly Europeans and ethnic Chinese. The rubber production of Thailand increased not only by strong demand from the world market, but was also stimulated strongly through the replanting programme of the Thai Government from 1961 onwards. This resulted indirectly in the establishment of rubber processing factories and rubber trading companies. As these professional groups needed to be in close contact with the farmers and plantation owners, their activities spread throughout the rubber growing area in the South. With the main town of Hat Yai in Southern Thailand becoming a full-blown commercial centre, and with the establishment of the Deep-Sea Port in Songkhla, there was good reason to have the Association moving to the south. Not only is that the main rubber growing area with many rubber factories and intensive transport and trading activities, it is also close to our neighbour country Malaysia, the third world producer and exporter.

2.3 Rubber World Background

It can see that Brazil provided the world with the rubber tree, Hevea Brasiliensis, but that country no longer plays any significant part in the world natural rubber (NR) trade. Seeds were exported from the lower Amazon area of Brazil to London, UK, by Henry Wickham, a local planter acting for the British Government in 1876. The seeds were germinated at the Tropical Herbarium in Kew Gardens, London later that year. From there seedlings were exported to Ceylon (Now Sri Lanka). In 1877, 22 seedlings were sent from Ceylon to Singapore, where they grew strongly, and the technique of tapping was developed. Prior to this, the trees had to be felled before the latex could be extracted. By 1900, most of the techniques and agricultural practices required to establish large plantations had been developed. One key technique was bud grafting. This is essentially a cloning technique which ensures that genetically identical trees can be produced in unlimited numbers.Thailand, Indonesia, Malaysia and Sri Lanka, these countries are all located in South-east Asia and have lots of rubber industries. The rubber industry often talks about high-yielding clones, or other types of clone; and this is the basis of that terminology. Over the next 40 years or so, the British in Malaysia and the Dutch in Indonesia cleared large areas of rainforest to create rubber plantations. Simultaneously, local farmers saw the opportunities of rubber cultivation, and planted small groves of trees to supplement their own income. This gives rise to two types of rubber plantations in most producing countries: the estates, or plantations and the smallholdings. Smallholdings tend to produce solid rubber while estates are essentially large-scale farms, with professional management. Most latex comes from professionally managed estates.

Latex Is Not Made From Sap

Latex is often described as the sap of the Hevea tree. This is not an accurate description. The sap runs deeper inside the tree, beneath the cambium. Latex runs in the latex ducts which are in a layer immediately outside the cambium. This highlights the skill of the tapper. If the cambium is cut, then the tree is damaged, because the cambium is where all the growth takes place. Too much damage to the cambium and the tree stops growing and stops making latex.

Methods of Latex Rubber Tapping

All natural rubber originates in the Hevea tree, and it starts its journey when the tree is tapped. Trees are rarely tapped more often than once every two days. A tapper starts the trek around the plantation before dawn. At each tree a sharp knife is used to shave off the thinnest possible layer from the intact section of bark. The cut must be neither too deep, nor too thick. Either will reduce the productive life of the tree. This starts the latex flowing, and the tapper leaves a little cup underneath the cut. In ordinary circumstances, this latex will normally coagulate into a lump in the bottom of the cup, called 'cup lump.' If the plantation manager wants to make latex, then the tapper must add a stabilising agent to the cup. Usually this is ammonia, which prevents the latex from coagulating. The tapper returns a few hours later and collects the stuff in the cup -- either cup lump or latex. The double round trip usually finishes at about 2 pm. The tapper is very often at the bottom of the educational scale. Many are women; illiteracy is high; pay is low. Child care and education is rudimentary at best. Living conditions are quite primitive and latex allergy awareness is extremely low.

Processing of Latex - Cup Lump or Liquid Concentrate

If solid rubber is required, the cup lump, together with tree lace (the remnants of the latex flow from the cut down to the cup) and other bits and pieces are collected together and processed. That processing involves quite a lot of heat, which destroys many (but not necessarily all) of the proteins. It ends up as solid rubber. Depending on the method of processing and the final purity of the material, the industry refers to it either as technically specified rubber (TSR), or sometimes sheet rubber.

When latex is required, which covers about 10 percent of all NR produced, the material is gathered on the tapper's return journey, poured into containers and delivered to a processing station where it is strained and concentrated. At no stage in the process is the latex heated. This means most of the proteins remain in the latex. More stabilisers are added and the latex goes into a centrifuge to remove some of the water, and increase the rubber content of the latex. After centrifuging, the material is known as latex concentrate, and contains roughly 60 percent solid rubber and 40 percent other stuff, which are water, proteins and many more. This (latex concentrate) is what is used in the dipping process when making gloves.

Is Latex Allergy All About Trade And Global Competition?

There is a common belief in the latex production sector that latex allergies are hyped up in many countries, which are Thailand, the United States and many more. One argument often advanced is that latex production workers in the producing countries do not become allergic, despite handling liquid latex in hot, sweaty conditions. The counter-argument is that the comparison of health care workers and plantation workers is not valid, because of:

- The number of gloves donned and removed,
- The powder coating on gloves which carries proteins into the lungs of health care workers,
- The fact that health care workers are exposed to gloves from many different manufacturers, with varying levels of protein and powder.

Nevertheless, the NR producers have their own mind-set: They honestly believe that this allergy issue is all about trade. They think that the multi-national glove producers are imposing ultra-strict manufacturing limits on gloves in order to drive smaller glove makers bankrupt and win back the market share they lost to local manufacturers in the 1980s and 1990s. No matter how unwelcome this point may be, it *is* how the South-east Asian manufacturers (and some Europeans) see the issue. Cases of latex allergy are relatively uncommon in Europe and very uncommon in Asia. Perhaps it is only a matter of time before we get the pain that you have right now, but for the time being, this view remains very common in the glove and latex industry outside the USA.

2.4 Policies for attracting FDI

The UN world investment report of 2003 (UN, 2003) has found that national policies are paramount in attracting FDI to a country. National policies have to, however, be seen in the broader context of the determinants of FDI, where economic factors play an influencing role. Therefore the attractiveness of a country to be invested in, can be influenced by the FDI enabling regulatory framework, though once the FDI enabling policies are in place, it is the economic factors that become dominant (UN,2003).

It is argued by the UN (2003) that passive liberalisation (an "open-door" policy) is not enough for attracting FDI, although it represents a good starting point. Attracting FDI in a highly competitive environment requires stronger incentives or locational advantages and more strategic promotional campaigns (UN, 2003). The UN report indicates that whilst passive liberalisation lures investors into the country, government policies are key to the success of increased FDI.Policies encourage an increase in the pase of skills and technological developments, raise local procurements, and secure the retained profits by multinational enterprises (MNEs) for reinvestment.We have set out below, some of the key policies for attracting FDI which will be discussed in turn. Countries aim to encourage the injection of capital into the local economy by: reducing obstacles to FDI, improving standards of treatment of foreign investors and promoting FDI inflows. This therefore begs the question, "what are the policies that act as determinants of FDI?"

Based on the existing literature we have assimilated a list of economic policies that influence FDI. This information is sourced from the World Bank(2006) and the UN (2003).

- Economic, political, social stability
- Entry and operations legislation
- The standard at which foreigners are treated
- Market orientated policies like competition and Merger & Acquisitions policies
- Inter national trade and investment agreements (IIAs)
- Privatisation policy
- Trade policies(tariff and non-tariff barriers)
- Tax policies

The attractiveness of a country for FDI depends however on the various tyoes of investors and the benefits they see in the host country. Market seeking investors for example, look for market size and growth, resource seeking investors look for natural resource, whilst efficiency seeking investors will seek to maximise the competitive advantage and efficiency for export production(Athukorala and MEnon, 1997).

According to the OECD (2003) there are three main FDI incentives a country can oursue to encourage FDI. These are regulatory, fiscal and financial incentives. The regulatory FDI incentives are policies aimed at MNEs to encourage investment into the host nation by offering derogations from national or regional rules and regulations although this is most commonly used to diminish requirements of entering a related to the environmental, labour-market and social requirements of entering a market. According to the OECD (2003) such incentives are usually granted in connection with development strategies by the host nation where they may overlap. These strategies may however also be negotiated, to encourage FDI in the host nation or in an area thereof.

The OECD (2003) claims that the use of financial incentives may also be considered if any or all of the three condition are present. Firstly, the host country or an area thereof, might seem to be comparatively disadvantaged because its development has not progressed as quickly as other sites/countries. The host nation may therefore choose to issue financial incentives to as 'site equalisation outlays' (OECD,2003) and applies to all companiees have often negotiated the above incentive by also including infrastructure subsidies and job training subsidies.

Secondly costs or the cost associated with setting up a new subsidiary in specific locations.

Lastly, host countries may simply wish to correct imperfections. Such a correctional measure is usally put into force by offering credits to investors to help with financing costs; selling land, plants& buildings at below market price; or taking a share in the start-up costs of the MNE.

Afurther option used by host nations to increase or encourage FDI is the use of fiscal FDI incentives. These fiscal incentives are usually part of a package as Changes in tax legislation are often difficult to change. However, a form of fiscal incentive would be the reduction of corporate tax rates(OECD,2003). This can be achieved by offering reduced rates on corporate income tax; tax holidays where start-ups or investors that have struck a deal with the host nation need not pay corporate income tax an agreed period of time; or the creation of special economic zones (SEZs) where MNEs can enjoy may other privileges.

Kopits (1976) argues that countries with excess capital to capital scarce countries.

Hadari(1990) and Usher(1977) found in their studies, as also pointed out by Tung and Cho (2000), that most developing countries provide tax incentives to MNEs to encourage the flow of capital into their country.

There have been a number of authors(Root and Ahmed, 1978; Hartman, 1984; Young, 1988; Grubert and Mutti; 1991) to name but a few, who found that tax incentives are an important factor in encouraging inward FDI.

Scholes and Folfson (1992) argue that host countries are able to lure MNEs into the country by providing tax incentives because tax legislation has a direct affect on investment decision ny directly impacting on the rate of return on assete and investment.

Scholes and Folfson (1992) argue that the rate of return on assets can vary either due to the location of these assets, for example; assets that are located in special economic zones will incur lower taxes; or through the alteration of the ownership structure.

A host nation might also use capital formation incentives where companies are encouraged to reinvest capital into the host nation in return for tax credits or tax reductions if profits are reinvested.

A host country may also use special investment allowance and offer investment tax credits to MNEs. Special investment allowances permit companies to write off endorsed capital costs greter and faster by increasing the depreciation or increasing the reductions(OECD,2003).

Reducing the cost of conducting business abroad is also a form of fiscal incentive. This may take the from of reducing export, import taxes and customs duties encouraging FDI or reductions on tax payable by employees and management. Other tax reductions used by countries include reductions on value added tax, property tax and sales tax (OECD,2003).

METHODOLOGY

There are two types of methodology that you can do the research, Deductive and Inductive methodology. I would like to use Inductive of methodology in the first part of the research because we collect data and develop theory as a result of our data analysis. The characteristics inductive approach, theory would follow data that opposite the deductive approach. In this research we're going to observe facts, which may be data or information from the employees in the organisation and also try to find out the explanation for the research question. Inductive emphasises are the collection of qualitative data, a realisation that the researcher is part of the research process and also more flexible structure to permit changes of research emphasis as the research progresses and so on. On the other hand, the Deductive of methodology is the alternative for researcher because the deductive research can be quicker to complete, lower-risk strategy and in situation that you develop a theory and hypothesis and design a research strategy to test the hypothesis. Major deductive emphasises are scientific principles, moving from theory to data, the collection of quantitative data and the necessity to select samples of sufficient size in order to generalise conclusions. So far we have conveyed the impression that there are rigid divisions between the two approaches to research. This would be misleading. Not only is it perfectly possible to combine approaches within the same piece of research, but in our experience it is often advantageous to do so (Saunders, Lewis and Thornhill 1997 pp 88).

I intend to use sampling techniques provide a range of methods that enable you to reduce the amount of data that we need to collect by considering only data from subgroup. Sampling provides a valid alternative to census when:

- It would be impracticable for you to survey the entire population;
- Your budget constraints prevent you from surveying the entire population;
- Your time constraints prevent you from surveying the entire population;
- You have collected all the data but need the result quickly.

The sampling techniques can be divided into two types, probability or representative sampling and non-probability or judgemental sampling. The larger your sampling's size the lower the likely error in generalising to the population sampling is therefore a compromise between the accuracy of your finding and the amount of time and money you invest in collecting, checking and analysing the data. For many research questions and objectives, you need to undertake particular statistical analyses will determine the threshold sample size for individual categories. These will affect the overall sample size. The most important aspect of probability sample is that it represents the population. A perfect representative sample is one that exactly represents the population from which it is taken. In reality, you are likely to have non-responses. On-respondents are different from the rest of the population because they have refused to be involved in your research for whatever reason. Consequently, your respondents will not be representative of the total population, and the data you collect may be biased. In addition, any non-responses will necessitate extra respondents being found to reach the required sample size, there by increasing the cost of your survey. You should therefore analyse the refusals to respond to both individual questions and entire surveys to check for bias. Non-response is due to four inter-related problems; refusal to respond, ineligibility to respond, inability to locate respondent and respondent located but unable to make contact. The most common reason for non-response is that your respondent refuses to answer all the questions or be involved in your research, but does not give a reason. Such non-response can be minimised by paying careful attention to the methods used to collect your data (Saunders, Lewis and Thornhill 1997 pp 151-7).

In the research it could not argue that which type of data is the best one for researcher because there are many crucial factors that you have to consider. It also depends on the difficulty of that situation, personal behaviour and so on. According to use the Primary data collection so we are going to use the interview as a qualitative data and use the questionnaire as a quantitative data. However, we can use the internal information as based information and also use the secondary information to fulfil the research if necessary.

Interview

I can access the sufficient and valuable information because the rubber business is the most important income of my family and my relatives. For more than 50 years working experiences with rubber latex as for myself, is the one of local people in the south of Thailand, which is the largest source of rubber latex in Thailand, there is a need to find the FDI for improving the process of rubber latex production and making rubber latex in the different product for getting higher profit. The example questions of semi-structured interview are show below:

- How long have you worked for rubber latex?
- What do you think about the Foreign Direct Investment?
- Could the plantation owners improve the quality of productivities ? If yes, could you give opinions for this state?
- What is you expected from FDI?

People's account of aspects of their lives can be fascinating, as each respondent has his or her own unique story to tell. You must be interested in people if you want to conduct effective interviews. According to Patton (1990) convinced that to be a good interviewer you must like doing it. This means taking an interest in what people have to say? You must believe yourself that the thought and experience of the people being interviewed are worth knowing.

Analysing quantitative data

Quantitative data can be divided into two distinct groups, categorical and quantifiable. Categorical data refer to data whose values cannot be measured numerically but can be either classified into sets (categories) according to the characteristics in which you are interested or placed in rank order. Quantitative are more precise that categorical as you can assign each data value a position on a numerical scale. Within this group there is, again, a subdivision, continuous and discrete. Continuous data are those whose values can theoretically take any value provide that you can measure them accurately enough. Data for quantitative analysis can be collected and subsequently coded at different levels of numerical measurement. The data type will constrain the data presentation, summary and analysis techniques.

The nature of qualitative data therefore has implication for both its collection and its analysis. To be able to capture the richness and fullness associated with qualitative data they cannot be collected in a standardised way, like that of quantitative data. The qualitative data that you collect is through the creation of a conceptual framework. The analysis of qualitative data involves a demanding process and should not be seen as an "easy option". Qualitative data are based on meanings expressed through words. They result in the collection of non-standardised data that require classification and are analysed through the use of conceptualisation (Saunders, Lewis and Thornhill 1997 pp 329).

To conclude this report, the research method is very important to assist all students to do their projects or dissertations. According to have knowledge to structure your research strategy and realise what should come first and later and which methodology and data you should select. Also consider with other factors that are the barrier of doing research and try to find out the way to overcome it.

RESULTS AND CONCLUSION

The Foreign Direct Investment (FDI) can supports the companies in deriving technology knowledge and experience in rubber processing technique and rubber business through exchange of ideas, supply of information, arranging of study visits, inviting company to attend meetings, holding seminar and organising training for both local and overseas attendees on appropriate occasions. Rubber marketing promotion is another function of the FDI that need to be concerned. The example of the interesting FDI should be the following companies; Wingfoot, Japanese tire, American buyer and Tireman. There is an association recently arranged several missions to rubber consuming countries in Europe, USA, South America, and SE Asia, to promote Thai Natural Rubber (NR) at our trading partners and local governmental organisations. The main purposes were raising confidence of the consumers for Thai NR, its qualities, shipment and packaging, and the backing of rubber trading by the Association. Every year the Association arranges for its members to attend annual dinners of various rubber organisations overseas to strengthen the rubber business relationship, especially those with our neighbouring countries. The Thai Rubber Association organises annually a welcome party for those rubber organisations from abroad which visit rubber industries and businesses in Thailand. The Association has established an agreement with the Rubber Trade Association of Japan to trade NR only among members to ensure a smooth business relationship. The rubber industry as a whole and trading with partners overseas calls for good relations with the international organisations concerned, The Association plays an important role at the international level with a number of activities.

FUTURE WORK

The crisis revealed Thailand's deficiencies in research and development, science and technology, and in its overall education system. The investments in human resources and research and development (R&D) that are required to build the foundations for innovation involve a significant public good element, are relatively bulky (or indivisible), and require a long time for the results to become evident. This provides clear economic rationale for a strong government commitment to supporting programs to develop higher quality S&T manpower and increased attention to R&D both in the public and private sectors. If the Thai government waits any longer to make this critical commitment to research and development and high-level human resource development, one could expect a similar 'competitiveness' crisis to reoccur after several years of mild recovery.

Thailand has thus reached a critical crossroads in its quest to build back the competitiveness of its industrial base. The Asian economic crisis dealt a heavy blow to the Thai development model. With an increased recognition that macroeconomic liberalization and an economy driven by manufactured exports would not ensure sustainable growth, Thai policy makers and firm managers are belatedly shifting their attention to technology matters and human resource development, and hopefully on ways in which FDI can be leveraged more strongly to support these objectives.

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