What is industrial policy? It is well-recognized that industrialization is the very important mean of the process of economic development. Industrialization is also a process of moving up the industrial ladder from labor-intensive industries to capital-intensive and assembly-intensive industries and to the high-tech industries. For Japanese policy-makers (1955-1973) and South-Korean leaders, (1961-1981) the fastest way to move up the industrial ladder was by adopting industrial policy – to identify the industries that were the sun-rise industries (to pick the winners) e.g. steel, non-alloy metal, petrochemical, ship-building, automobile, electric and electronic industries.

What were the means of the Japanese and South Korean governments? The important means that both governments used to push those targeted industries up the industrial ladder were trade policy (high tariff rate and import control), subsidy (cheap loan) and market entry (government licenses).

Why industrial policy were a success story in Japan and South Korea? There were 3 main reasons. Firstly, both the government officials (especially in the economic-related ministries) and the business elites were very competent. Secondly, the well-established institution of public–private cooperation enabled them to identify target industries successfully and also lead to successful FDI policy and technology import screening regime. Finally, the timing was good. There was no international agreement against export subsidy or import – substitution subsidy or the practices of dumping.

How to solve the conflict between industrial policy and competition policy? There was great tension between MITI and JFTC during the said period of 1960-1973. However, the great tension had been gradually reduced by the common understanding between the government and the industries that the Japanese market would be opened to foreign competition at appropriate time. The Komatsu case is a well-known case on how Japan opened up heavy machinery market to foreign competition. The means to reduce the conflicts were trade policy (to reduce tariff rate and import control), subsidy (to eliminate or reduce subsidy) and market entry (to reduce barrier on market entry).

Basically, Thailand adopted the import-substitution industrialization in 1958. It switched from import-substitution industrialization to export-oriented industrialization in 1981. This pattern of strategy can be observed in many developing countries around the world, including Thailand. Industrial Policy has been loosely identified in the 5-year economic development plans and in the promotion-list of the Thai Board of Investment (BOI). The Thai government almost did nothing to promote the targeted industries identified in the 5-year economic development plans. The BOI
has adopted targeted industries from the economic development plans. The means that the BOI has used to promote targeted industries are tariff exemption on imported machineries and necessary raw materials, and exemption on juristic person income tax.

Are there any conflict and how they are resolved? So far there has been no serious conflict between industrial policy and competition policy. There are a number of reasons. Firstly, the overall tariff rates has been gradually reduced because of the result of AFTA and the WTO. It weakens the incentives provided by the BOI. Secondly, because of the TRIMs, Thailand had to abolish all its regulations requiring local content. This weakens the power of the Thai Ministry of Industry which is in charge of promoting industrial sectors in Thailand. Thirdly, because of foreign pressure, Thailand had to open up some protected sectors to foreign investors e.g. in industrial glass sector. Finally, and I think it is the most important reason to explain why there has been no serious conflict between industrial policy and competition law. That is it is the common recognition of the working group who drafted the Thai Competition Act of 1999 to control the conducts of dominant firms that the Thai economy is not so big and it has obligopolistic market structure in order for various industries to have economy of scale. That is why the law that has been active used to control the conducts of dominant firms in various important industries is the Price Control Act not the Competition law. The Competition Act of 1999 plays only supplementary role.