

Gold Issues and Thailand's Economic Transition in the Beginning of Pacific War

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太平洋戦争の初期における金問題とタイの経済移行

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Abstract

This article argues that Thailand made use of gold issues to hedge the risks of incorporating into the yen bloc, so as to ensure a smooth economic transition in the beginning of the Pacific War. This hedging strategy can be divided into two stages: First, Thailand released mixed information in Bangkok and Tokyo negotiations in the first half of 1942, and behaved more inclined to adopt the gold standard rather than the yen standard. Therefore, Thailand could request for more side payments because of Japan's concerns. Second, after it changed to yen standard, Thailand still urged for gold acquirement, so as to hedge the future risks of yen, and maintained potential relations with the Anglo-American currency area.

These negotiations basically set out the principles of Thailand's economic policy towards Imperial Japan during the whole Pacific War, and also helped to maintain Thai currency stability and economic stability.

During the Pacific War, Thailand maintained relationship with two competitive currency blocs simultaneously, and refused to completely cut off currency relations with either of them. By this hedging strategy, Thailand could get benefits and compromise from both sides, and avoided the risks of completely leaning to either side. It also indicates that weak countries can flexibly use economic tools to deal with their relations with stronger powers.

Key Words : gold, hedging strategy, yen bloc, economic transition

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1. Introduction

After the outbreak of European war in 1939, Japan aspired to incorporate the Nanpo Area (南方圏) into the East Asia self-sufficient sphere (東亜自給圏) (長岡 1963、p.151). Compared with other states, it is noteworthy that Thailand successfully maintained a considerable degree of independence during the whole Pacific War.

The alliance with Japan and the declaration of war on the Allies helped to maintain Thailand's sovereignty and territorial integrity on the whole (Swan 1989, p.313; 白石 2015、pp.365-366). And it meant Thailand's substantial transition from integration in the Anglo-American bloc toward integration in the Japanese bloc. However, despite the alliance, Thailand still had to work to protect its economic survival from excessive demands or overexploitation at the hands of the Japanese. From January to June in 1942, Thailand's urgent economic problems were the massive loss of dollar, pound reserves and access to western markets, as well as Japan's requirement for a sharp depreciation of the baht, so as to coincide with Japan's "Greater East Asia Financial Sphere (大東亜金融圏)" policy. Then from July 1942, Thailand was obliged to provide huge military loans as an ally, but these war-induced economic problems, such as serious inflation and economic stagnation, created widespread resentment and poverty among the general population.

So at the beginning of the Pacific War, Thai leaders tried to consider other measures to gain additional leverage or bargaining power against the Japanese empire in this asymmetric alliance, so as to protect its economy as much as possible (Reynolds 1994, p.114). This article aims to argue that Thailand made use of gold issues to hedge the risks of incorporating into the yen bloc, so as to ensure a smooth economic transition in the beginning of the Pacific War.

2. Literature Review

Which strategy did Thailand use to cope with Japan's excessive demands on economic aspect? First, some studies argue that Thailand tried to maintain its independence in dealing with economic affairs, which aimed to assure that Thai-Japanese economic relations were mediated on a relatively equal basis between the two governments. Peter G. Warr and Bhanupong Nidhiprabha stress that Thailand firmly opposed the inclusion of Japanese advisors into the Thai National Banking Bureau, which protected Thailand's autonomy in financial affairs (Warr 1996, p.10). In addition, William L. Swan argues that "the Thais could keep track of their financial affairs thus allowing them to pursue active policies to remedy their economic and monetary problems brought on by the war" (Swan 1989, p.326), which ensured Thailand's control over its financial affairs (อุบล จิระสวัสดิ์ 1974, p.371).

Second, some studies argue that the Thailand government regarded the stability of bilateral military alliance as a bargaining chip, and actively held talks with Japan and demanded for more economic concessions. Some crucial "pro-Japanese" politicians, especially the Prime Minister Phibun and Minister of Finance Wanit, have played an important role in these talks. (Kasetsiri 1974, p.25). E. Bruce Reynolds says that Phibun emphasized that Japan's excessive economic demands would undermine the Thai-Japanese alliance, and "his political position was less solid

than it appeared on the surface”, thus it was necessary for Japan to make some concessions so as to maintain Phibun administration (Reynolds 1994, p.130). Kobkua Suwannathat-Pian argues that Thailand demanded that Japan changed its unfavorable policy toward Thailand, otherwise it would affect the Thai-Japanese alliance and Thailand’s military loans to Japan (กอบแก้ว 1989, p.56). In addition, Nishino Junjiro points out that Wanit “resisted stubbornly the unfavorable exchange rate agreement till the end” (西野 1978, p.128). Wanit emphasized that the Japanese government should consider the livelihood of Thai people, or it would damage Thai domestic support for Thai-Japanese alliance. These actions of Thai leaders showed that “they endeavored to alleviate the bad results” caused by Japan’s economic exploitations (อุบล จิระสวัสดิ์, 1974, p.1).

Third, some studies begin to focus on use of financial and monetary policy tools. Murashima Eiji explores the details of Japanese-Thai economic talks since late 1942, and he argues that Thailand requested economic compensation from Japan when negotiating the amount and additional conditions of military loans every half year, so as to maximize Thailand’s national benefits from the alliance (村嶋 1992, p.62). He stresses the importance of baht loans in Thai-Japanese economic relations. In addition, the Thai National Banking Bureau (and later Bank of Thailand) also played an important role in “maintaining the monetary stability” and “controlling the inflow of Japanese yen” (Bangkok Post, 1973.6.28). And it also took some measures to prevent the entry and circulation of baht banknotes printed by Japanese Army, so as to maintain its control of its currency (ธนาคารแห่งประเทศไทย, 1972, p.19).

The existing studies clearly analyze some strategies that Thailand used to cope with Japan’s excessive demands on economic aspect. However, as an important part of Japan-Thailand economic relations in the beginning of Pacific War, the details of economic negotiations in Bangkok and Tokyo in the first half of 1942 and Thailand’s negotiating strategies have not been fully studied. These negotiations basically set out the principles of Thailand’s economic policy towards Imperial Japan during the whole Pacific War. Therefore, it is necessary to study the details of these two negotiations and further explore the negotiating tools and chips of the Thailand government.

By using Japanese and Thai literatures, this article finds that gold issues were the main topics in these negotiations, and have played an important role in Thailand’s economic policy towards Japan. Thailand used the gold standard to wrestle with Japan and behaved more inclined to adopt the gold standard rather than the yen standard, so as to request for more side payments and hedge the risk of incorporating into the yen bloc. Through these negotiations, Thailand acquired a currency stabilization loan, a more favorable trade agreement and an agreement on gold shipments (金現送) to Bangkok. And by this hedging strategy, Thailand maintained relationship with two competitive currency blocs simultaneously, and refused to completely cut off currency relations with either of them. Thailand could get benefits and compromise from both sides, and avoided the risks of completely leaning to either side.

3. Thailand's Currency Re-construction and Release of Mixed Information

3.1 Yen Bloc and Thai's Choice for Currency Re-construction

After entering the Second World War, "a pattern of blocs and linkages formed the basis for the wartime economy", and many states adopted a strict foreign exchange management policy, which featured some kind of "inconvertibility" (Drummond 1987, p.53; Kirshner 1995, p.174). The bloc system was usually based on the currency of the dominant state, and other currencies would legally link to this "standard currency" and use it as the ultimate means of settlement in international transactions. In this process, the fighting for "master currency" (支配通貨) was also very crucial, which helped to ensure the exclusive possession of markets and raw material resources (ストレンジ 1989, p.24). In Japan's colonial history, there was also a yen-aggression process accompanied with the military aggression (島崎 1989). And it also reflected some relationship of political dominance (東亜研究所 1942, pp.66-67).

In 1941, Japan embarked on the road to break off economic relations with Europe and America because of the trade and assets freezes. It was urgent for Japan to "establish a yen-centric Great East Asia Financial Sphere and maintain stable linked exchange rates between yen and other currencies in this sphere" (多田井 1983, pp.604-606). In order to press forward with this plan, the Bank of Japan Act was announced in February 1942, thus promoting reforms of the BOJ and then formed a Greater East Asia Central Bank (昭和財政史 1963, p.440; 大蔵省百年史 1969, p.147). In December 28th, 1941, the Office Outline of Exchange Rate Measures (為替相場公定措置要綱) also stated that "all currencies' exchange rates should be expressed by yen, and the Japanese government will directly determine the exchange rates between yen and other currencies" (日本銀行 1948, p.614). It forced related states to take the principle of yen-payment (円貨決済主義) and yen-standard.

After the breakout of Pacific War, Thailand's importance to Japanese economy has dramatically increased. Many strategic materials such as gum, tin and rice were imported from Thailand or transported through Thailand to Japan. However, business could no longer be conducted using the pound as had previously been the norm. Japan needed to borrow Thai baht to pay for military expenditures (村嶋 1992, p.32). Therefore, Japan considered it essential to fully enmesh Thailand in the new financial order, so as to facilitate the procurement of military expenditures. In addition, Japan also regarded it as an important opportunity to pull Thailand out of the financial influence of Britain and America.

The turning point of this issue was January 25th, 1942. Thailand formally declared war on the United States and Britain, which resulted in the freezing of all Thai reserves deposited in these two countries (Swan 1989, p.328; 横浜正金 1943, p.52). Thailand lost over 65% of its currency reserves in Britain and America, and it was impossible to maintain the previous pound standard system (จาก ห อ ยี่ ว ชิว 1994, p.105). Therefore, it was necessary to restructure its currency system, especially the reserve system, so as to restore the credit of the baht. Interestingly, however, Thailand did not choose to peg the baht to the Japanese yen, but instead restored the gold standard

system. The Ordinance of the Ministry of Finance in February 1942 provided that one baht was equivalent to 0.32639 grams of gold (朝日盤古特電 1942、p.72).

It seems that Japan's expansive financial reforms left Thailand with a small amount of control over its own finances. However, the Thai government found solutions to fend off Japan's control. It mainly used the gold standard as a hedging strategy to wrestle with Japan, and behaved more inclined to adopt the gold standard rather than the yen standard from January to June in 1942. In other words, Thailand remained militarily dependent on Japan during this time, but tried to retain its economic relations with some gold-dominated states. And it would be very sensitive and unacceptable for Japan during wartime. Therefore, Thailand could request for more side payments and compensations because of Japan's deep concerns.

3.2 Gold Standard and Thailand's Release of Mixed Information

How did this hedging strategy work? According to Schelling's concept of "rocking the boat" (Schelling 1979, p.196), mid-sized powers in the system tend to rock the boat to draw the attention of the dominant states. But they actually do not want to overturn the boat or "destroy the system, and only extort side payments: that is, rewards for promising not to rock the boat anymore" (Kirshner 1995, 172). Therefore, the standard currency is an easy target for upsetting the system in order to implement this tactic. The middle states will rock the boat and threaten to select another standard currency, so as to improve their bargaining power against dominant states and further realize their goals.

Furthermore, "even currency areas with asymmetric rules that are led by great powers create not so much currency dependence as currency interdependence." And the dominant states may also "depend on other states to sustain the system for insulation from the larger currency world" (Cooper 2006, p.164). Under some conditions, these mid-sized powers can possess more "bargaining power than leaders with respect to particular issues" (Cooper 2006, p.165). Therefore, the yen bloc itself also gave Thailand the chance to exert its influence. Thailand maintained relationship with two competitive currency blocs simultaneously, and refused to completely cut off currency relations with any of them.

Although it was said that leading Thai politicians were "obsessed with traditional economic theories and orthodox methods towards financial issues, and really wanted to restore the gold standard system" during that time (愛知 1942、pp.16-17), Japan felt worried by this significant policy option, and viewed it as a sign of betrayal, which meant that Thailand "retained the possibility of returning to the sterling or dollar bloc in the future" (曾野 1942、p.3). In addition, all other currencies in Greater East Asia had already pegged with the yen at a one-to-one relationship, thus the exception of Thai baht would inhibit the smooth goods exchanges within the Co-prosperity Sphere. Therefore, in order to establish Japan's currency hegemony, it was necessary to continue struggling with the gold-dominated states (金支配国家) in the region (曾野 1942、p.3).

As mentioned before, Thailand used gold standard as a hedging strategy to deal with its relations

with Japan, so as to reduce uncertainty and avoid risks. In this process, the most important thing was to release mixed information. By the announcement of pegging to gold in early February, Thailand successfully released mixed information of allying with Japan and remaining financial linkages with western countries. However, Thailand did not want to challenge or undermine Japan's yen order since it was contrary to Thailand's bandwagon strategy toward Japan in military and political affairs. In early 1942, Thailand still had many expectations for this alliance, and tried to meet the demands of the Japanese side. Instead of saying that Thailand would like to restore the gold standard system and impair the yen order, it would be better to regard it as a method to steadily separate from the former sterling-standard system (島崎 1989、p.358; 鹽谷醇1943、p.6). Therefore, Thailand did not choose to peg to the yen immediately, but sought for help it needed through negotiations with Japan on standard currency. As such, Ambassador Tsubogami Teiji began to hold intensive talks with the Thai Prime Minister Phibun on economic issues. In the so-called "Japan-Thailand economic cooperation" (日泰經濟連携), currency and gold issues were very crucial (朝日新聞、1942.03.26).

4. Thai-Japanese Economic Negotiations and Hedging the Risk of Yen Bloc

4.1 Bangkok Negotiations and Hedging the Risk of Yen Bloc

The Thai-Japanese Economic Negotiations were both held in Bangkok and Tokyo. The Japanese government informed the Thai embassy of the basic principles of economic negotiations in January 30th, 1942. It emphasizes three points: "Japan rejects Thailand's request for gold; baht should be linked to yen, and the ratio is one to one; it's necessary to establish the Thai Central Bank quickly and incorporate influential Japanese advisors in it" (大蔵省為替局 1942、pp.3-6). It reflects that Japan was very concerned about gold issues and Thai currency reconstruction. After that, Thailand's announcement on gold standard on February 1st further exacerbated Japan's worries that gold would slowly change the nature of Thailand's economy.

The economic negotiations in Bangkok started from February 12th. Japanese Consul-General Uchiyama, Clerk Matsuda and Fujisawa held several talks with Wanit at Thai Economy Ministry (大蔵省為替局 1942、p.18). During these negotiations, Thailand mainly strived for three side payments, which were important for economic stability during wartime. These side payments consisted of a currency stabilization loan, a bilateral trade agreement and an agreement on gold shipments to Bangkok in return for the special yen (矢代 1942、pp.10-11; 高石 1970、pp.638-640). The currency stabilization loan and gold shipment would supplement the specie assets and help to stabilize the price of commodities. In addition, with Thailand's increasing dependence on Japan, a formal trade agreement became increasingly necessary to guarantee Thailand's exports and imports with Japan. Because the baht needed to be devalued nearly 20% to be equivalent with the yen, Thailand also hoped to increase the price of export products (especially rice) and prevent price increases of import products from Japan (ノパンコーク發同盟 1942、p.94). In short, Thailand needed assistance from Japan in order to alleviate the negative impacts of separating from Anglo-American influence.

In Bangkok negotiations, the most crucial issue was currency standard or exchange rate. If baht could not be pegged to yen by 1:1, Japan would spend more money on materials purchasing in Thailand, and also left a possibility for Britain and America to interfere Thailand's financial affairs. Therefore, the representatives of both sides decided to hand over the exchange rate issue directly to Prime Minister Phibun and Ambassador Tsubogami. And in order to meet Thailand's demand for gold, Japan also made concessions and proposed to provide earmarked gold instead of gold shipment. But it had to be incorporated in Secret Agreement and not open to the public.

On exchange rate issue, Prime Minister Phibun chose to use delaying tactics and did not give an accurate answer to Japanese delegates. Phibun promised that the revision of exchange rate would be enforced "within one month" on March 3rd, but he soon changed it to "an reasonable time" on March 20th (大蔵省為替局 1942、p.32). This tactic aimed to force Japan to hold serious negotiations with Thailand on trade issues, so as to acquire Thailand's commitment on exchange rate. Japanese representatives felt nervous by Thailand's ambiguous attitude, so it urged the Japanese government several times to clarify the framework of trade agreement with Thailand (大蔵省為替局 1942、p.33). Then the Japanese Government replied the basic principles of trade agreement on March 28th and requested the exchange rate be amended by April 1st.

After that, Ambassador Tsubogami and Thai vice Foreign Minister Wichit held several talks on specific terms of trade agreement. On March 30th, Tsubogami and Wichit reached a preliminary consensus and signed the memorandum. The main contents included:

- (1) Japan should purchase 20,000 tons of gum, 7,000 tons of tin, 7,000 tons of teak from Thailand in 1942.
- (2) The exchange rate should be amended to 100 baht: 100 yen before April 22nd.
- (3) Tsubogami will come back to Japan on April 4th, in order to mediate Wanit's Economic Mission to Tokyo.
- (4) If Thai Mission and the Japanese side reach a consensus on the terms of trade agreement before April 22nd, the exchange rate should be immediately amended from that day (大蔵省為替局 1942、pp.37-38).

After this memorandum, the Bangkok negotiations came to an end. During these two months, Japan always urged Thailand to give up the baht-gold peg and revised to link with yen by 1:1 ratio. Thailand made use of Japan's anxious and urgent mentality, and then coerced Japan to make compromise on providing loans, earmarked gold and a more favorable trade agreement. In addition, Japan had to continue negotiating with Thai Mission in Tokyo on trade issues, so as to ensure a formal agreement on exchange rate as soon as possible.

4.2 Tokyo Negotiations and Hedging the Risk of Yen Bloc

The Wanit Pananon delegation arrived at Tokyo in April 4th, 1942, and the "negotiations had not

progressed as quickly and as smoothly as it seems had been expected” (Swan 1989, p.333). Japan still concentrated on the yen-baht agreement and persuaded Thailand into adopting a yen-standard system. However, Wanit stressed the necessity to “create an effective wartime economy which would be for the mutual good” (Swan 1989, p.332), which implied that Thailand sought for the help it needed, especially the three “side payments” mentioned above (Bangkok Times 1942.04.21, p.1). At the same time, Japan was still worried that the gold standard system would bring many changes to Thailand’s domestic economy, while retaining the Anglo-American financial influence in Thailand (愛知 1942、 p.17).

As the Thai delegation clearly understood Japan’s negotiating goals, so it took a relatively proactive negotiating policy. On April 9th, Thai economic mission presented a draft of trade agreement to Japanese delegation, which required Japan to meet Thailand’s three requests within one year:

- (1) The Japanese government should purchase Thai rice at the price of baht 8.30 per picul.
- (2) The Japanese government should import 20,000 metric tons of rubber, 7,000 metric tons each of tin and teak produced in Thailand.
- (3) The Japanese government should export goods for Thai civil use, amounting in total to about 60 million yen (บันทึกที่ 1 1942, p.12).

Furthermore, Thai delegates pointed out “the trade agreement should not only concerned trade between Japan and Thailand, and Thailand should be able to continue freely trading with other territories besides Japan” (บันทึกที่ 1 1942, p.13). And it also claimed for a substantial increase in rice prices and the quantity of goods received from Japan (บันทึกที่ 1 1942, p.43). Therefore, Thailand quickly raised its requests to 35,000 tons of rubber, 14,000 tons of tin, and 20,000 tons of teak. Consequently, in the Agreed Items (了解事項) signed on April 21st, the Japanese government agreed to continue negotiations for a formal trade agreement (金融協定等關係集、 p.432). The import price of Thai rice had been raised to 9.60 baht per picul as Thailand wished. And the import figure of rubber had also been raised to 30,000 ton, but the figures of tin and teak stayed at 7,000 ton (บันทึกที่ 1 1942, p.43). In return, Thailand finally made an oral statement that “the exchange rates between yen and baht shall be fixed at par and put into effect from April 22nd. And both governments will immediately take such measures as may be necessary to put into practice the above exchange rate as from the day mentioned above” (บันทึกที่ 1 1942, p.44).

However, the financial relations between Japan and Thailand remained to be further strengthened, because yen had not yet been included in Thai currency reserves. Therefore, Thai delegation was still likely to seek for a more favorable trade agreement. Thailand continued to stress that “if the proposed formula is not satisfactory, Thai government will consider another formula” (บันทึกที่ 2 1942, p.105). Then on June 27th, the Understanding on Trade (Draft, Confidential) provided that “both countries shall endeavor to avoid unreasonable rise of the export prices of its own products to be

exported to the other”, which greatly reduced Thailand’s concerns about the price fluctuations of trade products (บันทึกที่ 3 1942, pp.187-189). In addition, Japan also made great concessions on energy issues, and agreed to provide 7,950 kiloliters of mineral oil to Thailand. In return, Thailand formally incorporated yen into Thailand’s currency reserves on June 18th, which meant that Thailand had officially adopted a yen standard system (พิธีชำระวงศ์เสรี, pp.143-148 ; 横浜正金 1943a、p.5). As exchange rate and trade issues had been basically solved, the Loan Agreement of 200 million yen was also accomplished on June 18th (大蔵省為替局 1942、pp.92-94). It meant that Thailand had basically completed the task of currency stability and economic stability.

After the negotiations, Wanit regarded it as establishing a Thai-Japanese “monetary axis” within the Greater Asian Financial Sphere, which would greatly enhance Thailand’s status in the new economic order dominated by Japan (Bangkok Times 1942.06.19, pp.1-3; Swan, p.336). Indeed, with its clever use of gold issues, Thailand changed its position in economic negotiations with Japan, and ensured a smooth transition in the beginning of Pacific War.

4.3 Earmarked Gold and Hedging the Risk of Yen Bloc

Although the currency standard or exchange rate issue has been solved and Thailand decided to adopt the yen standard, it did not mean that the influence of gold issues completely disappeared. Thailand still did not want to be completely incorporated into the yen bloc, for the yen bloc had a new risk.

As the Japanese victory tide began to decline by the end of 1942, the credit of yen was also faced with severe challenges. Thailand feared that if Japan failed in the war, these payments made by special yen would become worthless, so Thailand urged for more methods of payment in addition to special yen.

During the Pacific war, Japanese military expenditures in Thailand were all paid by baht. As Japan did not have enough baht on hand, it had to borrow necessary baht assets from Thailand government. These loans would be repaid by gold at first, but it was out of step with Japan’s plan to establish the Greater East Asian Financial System, which meant Japan had to divert specie assets to foreign settlements. Later they reached an agreement on special yen payment so as to eliminate the need for using foreign exchanges or gold to meet overseas debts (ณรงค์ พ่วงพิศ, 1998). However, the considerable Japanese military expenditures coupled with huge Thai budget deficits, resulted in a huge increase in money supply and inflation (จาง หั้วฉิว 1994, p.105).

“Gold is hidden behind the international currency credit.” No matter how the banknotes and bills of exchange develop, gold reserves are still necessary (森 1986、p.224). With the increasing issuance of baht, Thailand hoped to increase its gold reserves and enhance citizens’ confidence in baht. Therefore, Thailand negotiated with Japan to strive for the “half amount payment by gold”¹ (半額金決済) mechanism, so as to hedge the risks of yen bloc. Then it gradually formed a loan repayment pattern of special yen plus earmarked gold plus gold shipment.² And even if Japan failed in the war, Thailand would still be able to maintain the acquisition of the earmarked gold, which

could help to ensure its financial stability after the war. (高石 1970、p.270).

Japan's gold settlements with Thailand during wartime were as follows:

Table 1 Japan's Gold Settlements with Thailand during Wartime

	Earmarked Gold		Gold Shipment(金現送)	
	Gold Amount (kilogram)	Price (thousand yen)	Gold Amount (kilogram)	Price (thousand yen)
1941	11,606	55,968	4,311	20,933
1942	11,424	55,462	—	—
1943	6,042	29,000	—	—
1944	11,440	60,000	—	—
1945	4,325	25,000	1,672	8,686
Total	44,838	224,610	5,893	29,618

Source: 日本銀行百年史編纂委員会 (1984) 『日本銀行百年史・第四巻』 日本銀行、396頁。

From the table above, Thailand successfully acquired nearly 45 tons of earmarked gold (worth 224.61 million yen) and 5.893 tons of gold (worth 29.618 million yen) by shipments. And it did help to protect the baht's value from excessive inflation. In addition, gold issues once again became a major topic in economic negotiations between Japan and Thailand. In the following three years, the two governments negotiated the payment mode of military loans and gold issues every half year. If the negotiations stalled, it would directly affect Japan's military expenditures and military operations in Thailand and the whole of Southeast Asia. Therefore, it formed an effective coercive power against the Japanese government, and Thailand seized this opportunity to claim more favorable conditions and compensations in bilateral negotiations. For example, Thailand urged for more machineries and technologies from Japan, and demanded that Japan should help Thailand become a self-supporting industrial center (กอบเกื้อ สุวรรณทัต-เพียร 1989, p.56).

5. Conclusion

This article argues that Thailand made use of gold issues to hedge the risks of incorporating into the yen bloc in the beginning of the Pacific War. And this hedging strategy can be divided into two stages: First, Thailand released mixed information in Bangkok and Tokyo negotiations, and behaved more inclined to adopt the gold standard rather than the yen standard. Therefore, Thailand could request for more side payments because of Japan's concerns. Second, after it changed to yen standard, Thailand still urged for gold acquirement, so as to prevent the future risks of yen, and maintained potential relations with the Anglo-American currency area.

These negotiations in 1942 basically set out the principles of Thailand's economic policy towards Imperial Japan during the whole Pacific War, and also helped to maintain Thai currency stability and economic stability.

During the Pacific War, Thailand maintained relationship with two competitive currency blocs simultaneously, and refused to completely cut off currency relations with either of them. By this hedging strategy, Thailand could get benefits and compromise from both sides, and avoided the risks of completely leaning to either side. It also indicates that weak countries can flexibly use economic tools to deal with their relations with stronger powers.

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Note

- ¹ Half amount payment by gold (半額金決済) means that half of the total settlement will be made by gold.
- ² Earmarked gold means that the gold would not be shipped to Thailand but deposited as Thailand's property in Thai Financial Ministry's account in the Yokohama Specie Bank's Tokyo branch.

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