Developmental Welfare in Thailand After the 1997 Asian Financial Crisis

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Abstract

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This thesis explores continuity and change in the developmental welfare approach in Thailand following the 1997 Asian financial crisis. It examines both the exogenous and endogenous forces that generated change as well as both the 'process' and the 'content' of transformation or responses to the crisis. It uses the One Tambon One Product (OTOP) policy as a case study to explore these changes.

The principle research question is: To what extent did the post 1997 crisis policy on social protection in Thailand represent a shift from its existing institutional path of developmental welfarism? Extending from this overarching question are subsidiary questions, which guided the thesis. They include: To what extent did the OTOP policy address the social protection gaps that became apparent in the Asian financial crisis? To what extent did the OTOP policy benefit its target population?

The thesis uses historical institutionalism (HI) and the role of ideas as the analytic frameworks in analyzing change. The thesis argues that the exogenous shock of the 1997 financial crisis contributed to some departure from the institutional path of developmental welfarism in Thailand. However, the change did not follow the conventional punctuated equilibrium (PE) model under the HI framework in the sense of moving from one equilibrium to another after an exogenous shock. Rather, the radical change that took place after the exogenous shock was gradual. The new set of institutional arrangement prompted significant ideational and institutional transformations. They involved both intended and unintended consequences of incremental shifts in the forms of 'layering' 'drift' and 'conversion' (Streeck and Thelen, 2005). In addition, the thesis argues that the transformation in Thailand after the 1997 financial crisis lies in an intermediate order of change that is found between shifts in policy instrument and a wholesale 'paradigm shift' (Hall, 1993). Here, apart from having introduced a new policy such as OTOP, the Thai government engaged in a broader rethinking of Thailand's developmental welfare path. Moreover, the study finds that the structure of economic development in a developing country context can both promote and impede social protection, rather than only subordinate the latter. The claim is based on the finding that the expansion of economic policy goals in Thailand supported local development and increasing inclusiveness of the informal sector after the 1997 financial crisis. Finally, the thesis argues that social protection delivery or lack thereof reflects contestation of ideas as well as material interests. Both the state and the policy beneficiaries in the OTOP context pushed for their interests when there were gaps between policy formulation and implementation. As a result, changes occurred both in the policy goals and in who benefited from OTOP.

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Prapaporn Tivayanond, April 2012, Oxford.

A note on the use of Thai terms and names

In this thesis, the translations of Thai terms and names into English are based on standardized translations provided by official documents. Many of the Thai names mentioned in this thesis refer to the Tambon names or the smallest administrative unit of Thailand.

Translation of Thai Terms and Names

Thai Terms (Romanized)	**Original**	**English Translation**
Ban Khok	บ้านโคก	One of the Tambons in the northeastern region of Thailand.
Ban Moh	บ้านหมอ	One of the Tambons in the central region of Thailand.
Ban Nabo	บ้านน้ำบ่อ	One of the Tambons in the southern region of Thailand.
Ban Pong	บ้านปง	One of the Tambons in the northern region of Thailand.
Buriram	บุรีรัมย์	A province in the northeastern region of Thailand
Chacheongsao	ฉะเชิงเทรา	A province in the central region on Thailand.
Chayaphumi	ชัยภูมิ	A province in the northeastern region of Thailand.
Chiangmai	เชียงใหม่	A province in the northern region of Thailand.
Chonburi	ชลบุรี	A province in the central region of Thailand
Kalasin	กาฬสินธุ์	A province in the northeastern region of Thailand.
Kachanaburi	กาญจนบุรี	A province in the west of Thailand.
Kokred	เกาะเกร็ด	An island in the Chao Phya River, in the north of Thailand, which has an OTOP village with markets for local products and souvenirs.
Lampang	ลำปาง	A province in the north of Thailand.
Lokhaphiwat	โลกาภิวัตน์	Globalization
Mahasarakam	มหาสารคาม	A province in the northeast of Thailand.
Nakornsawan	นครสวรรค์	A province in the central north of Thailand.
Neung Tambon Neung Palitabhan	หนึ่งตำบลหนึ่งผลิตภัณฑ์	One Tambon One Products (OTOP) A Thai government scheme that supports local entrepreneurship, which aims to raise household income and employment for the informal sector.
Prachasangkhom	ประชาสังคม	Civil society
Rachaburi	ราชบุรี	A province in the central of Thailand.
Sakon Nakorn	สกลนคร	A province in the northeast of Thailand.
Saraburi	สระบุรี	A province in the central of Thailand.
Sethakit Porpiang	เศรษฐกิจพอเพียง	Sufficiency Economy A philosophy advocated by H.M. King Bhumibol Adulyadej of Thailand, which emphasizes moderation, and protection from internal and external risks.
Sangkhom Khem Khang	สังคมเข็มแข็ง	Strong society
Sungkhalok	สังคโลก	A ceramic style produced in the Sukhothai (northern) province of Thailand.
Surin	สุรินทร์	A province in the south of Thailand.
Thammarat	ธรรมราช	Good governance
Tambon	ตำบล	The smallest administrative unit of Thailand. In terms of division, the tambon level is found below the district and the provincial levels of the country. The population of a tambon generally does not exceed 10,000 citizens and may be as few as 1,000s. As recorded in 2009, there were 7,255 tambons in Thailand.
Tambon Admistrative Office (TAO)	องค์การบริหารส่วนตำบล	The smallest local authority unit of Thailand.

Source: http://www.thailocaladmin.go.th/

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List of Abbreviations

ADB	Asia Development Bank
BAAC	Bank for Agriculture and Agricultural Cooperatives
BIBF	Bangkok International Banking Facility
CDA	Constitution Drafting Assembly
DP	Democrat Party
EAEM	East Asian Economic Model
FDI	Foreign direct investment
GDP	Gross domestic product
HI	Historical Institutionalism
ILO	International Labour Organization
IMF	International Monetary Fund
JPPCC	Joint Public and Private Consultative Committee
KBO	Knowledge Based Organization
LOI	Letter of Intent
MOI	Ministry of Industry
MOL	Ministry of Labour
NESDB	National Economic and Social Development Board
NGO	Non-governmental organization
NCSWT	National Council on Social Welfare of Thailand
NOAC	National OTOP Administrative Committee
NPL	Non-performing loan
NSO	National Statistics Office
OECF	Overseas Economic Cooperation Fund
OSMEP	Office of Small and Medium Enterprises Promotion
OTOP	One Tambon One Product
OVOP	One Village One Product
PRSP	Poverty Reduction Strategy Paper
PE	Punctuated Equilibrium
SAL	Structural Adjustment Lending
SCTP	Social Construction of Target Population
SES	Socio-economic survey
SME	Small and medium enterprise
SSO	Social Security Office
TAO	Tambon Administration Organization
TRT	Thai Rak Thai
VURF	Village and Urban Revolving Fund
WB	World Bank
WC	Washington Consensus

Chapter 1

The Research Context for Thailand's Developmental Welfare

The 1997 Asian financial crisis highlighted the weaknesses of existing institutional designs in addressing social protection[1] in Asia. Developing countries in the Asian region were falling short in social protection, whether it was due to limited coverage and/or insufficient funds (John, 2002). States had to look to other means to fulfill the objectives of increasing social protection and reducing the vulnerabilities of its people. Following the crisis, developmental states went through different stages of combining economic and social goals (Walker & Wong, 2005:11). This suggested that countries followed different paths, which resulted in outcomes that had different welfare mixes. Work by Jooha Lee (2008) and Huck Ju Kwon (2005) for example, have been done regarding shifting paths in Korea[2] and Taiwan. However, similar investigation focusing on developmental welfare has not been covered for Thailand following the 1997 Asian financial crisis.[3]

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[1] The Asia Development Bank (ADB) defines social protection as 'the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labor markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income'. (http://www.adb.org/SocialProtection/default.asp, accessed on 14/9/2009). The Governance and Social Development Resource Centre (GSDRC) identifies social protection in the broader context and include longer-term mechanisms designed to combat chronic poverty, as well as short-term interventions to reduce the impact of shocks. It also describes social protection as an investment in the future in order to promote growth and improve long-term poverty-reduction (http://www.gsdrc.org/go/topic-guides/social-protection, accessed on 15/9/2009). For the purpose of this thesis, social protection will be understood broadly as policies and programmes that reduce the risk and impact of poverty and assist in empowering individuals to overcome their vulnerabilities. According to the Overseas Development Institute (ODI), state social protection instruments are classified in three categories: (i) Insurance based programmes: (ii) Social assistance (iii) Other instruments: The latter include labour market policies, price support, microfinance and employment support (http://www.gsdrc.org/go/display/document/legacyid/1776, accessed on 15/9/2009). The thesis places the OTOP policy in the third category and will focus in this approach because the first and second approaches are usually low in provision and problematic in developing countries.

[2] Recent work by Stein Ringen et al. (2011) also explores the development of South Korean social policy.

[3] Work by Tangcharoensathien et al. (2005) covers the change in Thailand's healthcare system, but does not include the nature of change. Rather the analysis focused on the health system reform. In that analysis, economic development was not shown as the main consideration of the Thai government. The nexus between economic development and social protection was not apparent despite that the TRT

A proper analysis of developmental changes in Thailand needs to be placed within the domestic context of provision. It needs to recognize that policy regimes are the outcome of institutional pathways, which in themselves are constructs of social processes and of historical evolution (Walker & Wong, 2005). For that reason, this study acknowledges the possibility that Thailand's developmental state may be in different stages of development from other Asian countries.

Upon the need to research into more effective ways of social protection in Asia, this thesis examines the processes of continuity and change in the developmental welfare approach in Thailand. Under this main objective, it considers two levels of analysis. The first level concerns the process of change, i.e., how the change happened. Another level deals with the content of change, i.e., what were the actual transformations. The thesis begins by examining whether the 1997 Asian financial crisis created a transformation of the developmental path within the country. As part of that objective, I use the One Tambon One Product (OTOP)[4] programme as a case study to examine whether the policy was consistent or a departure from the country's existing developmental path. The OTOP policy is chosen for this research because it exemplifies a market-driven social policy approach that promotes local community entrepreneurship, and attempts to address the problems of unemployment and the lack of income support during the economic contraction period. The policy was adopted to benefit certain groups that

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government introduced the 30 baht system along with other social contracts that focused on local economic development.

[4] Tambon is the smallest administrative unit in Thailand (https://www.thailocaladmin.go.th accessed on 15/10/2009 and 15/10/2010).

were not significant beneficiaries of the preceding World Bank approach. It is treated as a case study in addressing a wider set of issues of the development path of Thailand.

The premises for studying institutional change in Thailand are manifold. Firstly, social policy in the Asian region has been developmental in the sense that it has been used as an instrument for economic development (Gough, 2004; Ramesh, 2000). For this reason, the interrelatedness of economic and social agenda is operative and unique to the context.[5] Secondly, the parameter of policy change usually involves domestic actors as predominant players. However, in the context following the Asian financial crisis of 1997, policy change took place with an external impetus and varying levels of contestation towards the neoliberal agenda as a policy package[6] and the Bretton Woods organizations. Thirdly, developmental welfare is multi-faceted and can lead to different outcomes. This is because of the domestic political conditions specific to the country. Hence, in-depth knowledge of the country's context is necessary for analyzing the transformation of the developmental welfare path.

This chapter presents an overview of the study. It first discusses the research questions and the analytical framework of the thesis.[7] It then sets in more detail the research context, and introduces the main arguments which guided the research. Finally, a chapter outline is given for the remainder of the thesis.

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[5] The study of developmental welfarism in East Asia is unique and distinguishable from the western context. For instance, developmental welfarism is not just about cash transfer and provision of services.

[6] Steger and Roy (2010) have deliberated three levels of manifestation associated with the neoliberal conception. Namely, they are neoliberalism as (1) an ideology, (2) a mode of governance, and (3) a policy package (Steger & Roy, 2010: 11). It is to be noted that reference to neoliberalism in this thesis prescribes primarily to its dimension as a 'policy package'.

[7] Further detailed discussion of the analytical framework is elaborated in Chapter Three.

1.1 Research Questions and Aims

The experience of the recent global financial crisis gives impetus to studying the impacts of prior financial crises in order to draw lessons from former experience. The fact that previous financial crises demonstrate much vulnerability and less readiness of states in addressing economic and social problems suggests that it is increasingly necessary to continue research into the machinery for learning about welfare and social protection situations. It is the intent of this thesis to seek a greater understanding on the state's response at facilitating social protection in the Asian context and the specific measures to deal with ensuing problems from crisis situation. The key question to be addressed is: To what extent did the post 1997 crisis policy on social protection in Thailand represent a shift from its existing institutional[8] path of developmental welfarism? Extending from this overarching question are subsidiary questions, which guided the thesis. They include: To what extent did the OTOP policy address the social protection gaps that became apparent in the Asian financial crisis? To what extent did the OTOP policy benefit its target population?

In seeking answers to these questions, the aims of the thesis are, firstly, to analyse developmental welfarism and consider whether the 1997 Asian financial crisis created a transformation of the developmental path in Thailand. Secondly, to deepen the understanding of the role of the state and the market in the field of social provision and consider whether the OTOP policy is consistent or is it a departure from the country's developmental path. Thirdly, to contribute to the scope of social policy studies by

[8] 'Institution' here follows Hall's description as "the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy" (Hall, 1986: 19).

considering how ideas and interests could lead to inclusionary and/or exclusionary effect in social policy change.

In answering the main research question, it is important to first start from an understanding of the developmental context of the country before the 1997 financial crisis. By uncovering what the developmental state in Thailand represented, the study demonstrates the important institutional and governance framework that guided the different sectors, especially, the public and private actors. The need to consider both the political order and the capitalist system of the country before the financial crisis is necessary in order to present a reference point against which policy reforms are analyzed.[9]

Following this introduction, the thesis examines the shock of the 1997 Asian crisis and how the crisis had the potential to shift the path of development in Thailand, precisely between 1997 to 2007. The Asian financial crisis is considered an exogenous shock (Krasner, 1988; Baumgartner et al., 1993; Pierson, 2004) that shook the institutional core and is presumed to have created change and uncertainty (Blyth, 2002). In the World Bank's perspective, the Asian financial crisis highlighted weaknesses of existing institutional design, i.e., the lack of income support and the lack of institution to tackle issues of the informal labour market.

Under the space for institutional redesign and adaptation, this thesis questions whether changes in Thailand conformed to the conventional 'punctuated equilibrium' (PE)

[9] Detail of this analysis is presented in Chapter Four.

(Baumgartner et al. 1993; Pierson, 2004) model under the historical institutional (HI) framework. Did the 1997 financial crisis move Thailand from a stable equilibrium to another?[10] The transformation in Thailand offers insight to how exogenous factors may interact with endogenous forces during the process of change.

The thesis carries on from the overview of the Thai developmental state to the OTOP case study. Subsidiary research question on OTOP probes into the direction of policy change during the Thai Rak Thai (TRT)[11] government with regard to policy selection and design. It does not attempt to evaluate the OTOP policy, but it aims to delineate the process of policy change and how the Thai government adopted OTOP from a neighboring Asian country, i.e., Japan. The important distinction is why the adoption of policy from an Asian country and not the continuation of the neoliberal policy package of the IMF following the crisis. Also, the selection of OTOP policy, when linked to the developmental paradigms in Thailand, illustrates the strategic objectives and conceptual framework of the developmental welfarism pursued by the TRT government. Here, findings on how the specific policy case applies to the overall developmental context in Thailand could fulfill the gap in previous research that does not locate OTOP in the wider institutional context.

Under the OTOP policy, the Thai government seemingly undertook a supportive role of ensuring basic community development and income support initiatives. Meanwhile, the

[10] According to Baumgartner et al. (1993) and Pierson (2004), a punctuated equilibrium is a condition in which policy is punctuated by sudden shifts in radical change followed by extended periods of stasis. In most situation, this radical change infrequently occurs and policy generally changes incrementally due to restraints found in institutional cultures, vested interests, or bounded rationality of decision-makers (Pierson, 2004).

[11] TRT was the ruling party in Thailand during 2001-2006.

enterprise[12] approach exemplified in the OTOP initiative meant that there was increasing space for community involvement in the country's developmental welfare strategy. Also, government adjustment with the market represented a new prospect for social protection output. It is hypothesized that under these adjustments, the policy transition following the 1997 financial crisis represents a shift of the country's developmental path.

Finally, the remaining question on OTOP assumes that there are variations in policy reception and adaptation. In answering this question, the study applies Mahoney and Thelen's (2010) conception of 'change agents' and Schneider and Ingram's (1993) framework of *social construction of target population* (SCTP) in explaining where responses to policy changes occurred and what the stakes were. Through the SCTP framework, the study questions whether the division of target population fell within the prescribed categories of 'advantaged' 'dependents' 'contenders' and 'deviants' (Ingram and Schneider, 1993). Also, by asking who the OTOP policy was designed to benefit, the question implies who was not designed to benefit from the policy. The construction goes back to the original assumption of the thesis regarding post-crisis policy shift and how some policies are disposed to uninterrupted periods, while others are prone to sudden punctuations. Specifically, the construction of OTOP or the way in which the policy was framed orientates to different expectation of policy responses for different stakeholders. By eliciting the views of the different stakeholders, this thesis combines the perspectives of both top level policy makers and local community producers who were involved in the policy. In doing so, it attempts to uncover the reasons for policy

[12] By the enterprise approach, individuals were integrated into the economy, and thus there was increasing role of participation for the community in the country's developmental welfare strategy.

continuity and change, instead of focusing only on the government outlook as past policy evaluations have done.

1.2 Previous Research on OTOP

Much research has been undertaken into government involvement in OTOP, yet with very little specific reference to the shifting pattern of policy and the direct welfare implication stemming from the specific policy. To give direction to the present study, a number of sources which have discussed government involvement in OTOP are examined. For example, the National OTOP Administrative Committee (NOAC) has conducted evaluation on OTOP. Their reports focus mainly on the positive output of the policy. For example, one report cited an increase in the selling indices of OTOP products of 245 million baht per year (NOAC, 2003: 14).[13] While government reports such as that produced by NOAC show a relative high number of sales related to OTOP promotion, this study raises caution to what these official figures represent and how the figures were reported. Firstly, it is unknown how the OTOP Committee at the provincial level collected the data. Also, the data in most of these official reports are not separated according to the different categories of the OTOP products, thus not revealing the differentiation between the varied types of producer groups. Furthermore, the figures in the report do not demonstrate the distinction between new products designed purposively for the OTOP programme and the already existing products that eventually became registered as OTOP products. For these reasons, the significance of these

[13] The same report also estimated the selling target of OTOP products to be approximately 20 million baht during the 2003 fiscal year, but the actual record showed a total of 33 million baht for the period between October 2002- September 2003 (NOAC, 2003: 16). According to the report, the OTOP selling target appears to exceed the estimated target. The high indices in the report have garnered attention and have been referred to in other studies of Chaiprapat et al. (2008) and Pintobtaeng & Kochsawat (2004).

figures requires further scrutiny as to who are the real beneficiaries, and what are the impacts of the policy towards the country's developmental path.

Other reports on OTOP such as those by Chaiprapat et al. (2008) focus on the economic and managerial aspects of producers with less emphasis on the developmental and social implications of the policy. Here, the utilization of quantitative indicators (economic and financial) alone did not adequately represent the policy's potential. Rather, this thesis acknowledges that it is equally important to consider the qualitative social issues in juxtaposition to the quantitative (economic/financial) aspects in interpreting the policy. Findings on the qualitative social issues would demonstrate the larger effect and actual interrelatedness between social and economic goals in the Asian developmental context.

Other studies on OTOP focus on general population satisfaction of the OTOP programme, for example, the way the OTOP programme is managed. Details of these reports can be found in the National Statistics Office website.[14] These reports aim to measure the level of the population's expectation and knowledge towards governmental work. The data gathered stand for the perspectives of those not having direct experience with the OTOP programme. For this reason, the proposed research aims to fill the gap and incorporate the perception of actual OTOP producers, especially the benefits obtained by being a member of the programme as well as the perception of those who are intended to benefit but who are excluded from the programme. These perceptions are reviewed in combination with the government perspective.

[14] Please see http://www.nso.go.th/thai/stat/summary/otop/sb_v_otop47.pdf

1.3 Analytical Frameworks

Before we are able to examine OTOP and the continuity and change of developmental welfare in Thailand, we must first acknowledge how the concept can be studied within two dimensions. First, is the use of the historical institutionalism approach, which underlines the structuring feature of institutions in the explanation of politics and policy outcome. Second, is to consider the role that ideas play in the policy process. Both analytical frameworks help make the connection between the position of various stakeholders in the overarching context of development and the specific context of OTOP.

Historical institutionalism (HI) regards institutions as providing the context within which political actors define their strategies and pursue their goals and interests. History explains the fact that goals and interests of actors and their strategies are politically and socially constructed over time (Thelen and Steinmo, 1992: 7-8). By this approach, policy outcomes of the developmental context, is explained as a product of institutional setting by which strategies, goals, and interests of social actors are in alignment or in constraints with each other (Pierson, 2004; Thelen, 1999).

Under the HI framework, emphasis on exogenous factors of change is applied and contested in this thesis. In particular, the limit of the punctuated equilibrium (PE) model to the Thai case is discussed. Also, the path dependence model, which stresses continuity over change, is reconsidered to accommodate explanation for endogenous developments that unfolded incrementally and that added up to fundamental transformations. Further elaboration of the historical approach and its rethinking are covered in detail in Chapter Three of this thesis.

Apart from the historical institutional model, the research employs the role of ideas to identify how it influenced policy change.[15] Ideas are important in this research because in circumstances of a crisis, there is a battle for ideas and for measures of how to respond to the crisis situation. In this research, the discourses under discussion include the neoliberal ideas as well as local developmental conception.

Peter Hall's assertion of the 'order of change' (1993) also relates to the focus on ideas as influencing institutional change. Hall (1993) makes the assertion that big shocks create a paradigm shift rather than just changing the setting of varying instruments. He illustrates this point by referring to the change from Keynesian thinking to the monetarism framework during the 1970s in the United Kingdom (Hall, 1993). According to Hall's (1993) explanation, the rise of monetarism corresponded with the decline of Keynesian economics, which seemed unable to explain the contradictory problems of rising unemployment and inflation during the time (Friedman, 1970). The result was an emergence of liberal ideas and a resurgence of neoliberalism, all of which produced a paradigm shift.

In Thailand, there was no stark or wholesale shift from Keynesian to monetary modes of macroeconomic regulation; however, it is speculated that there was a deliberate expansion of policy goals following the 1997 financial crisis, which affected the

[15] Policy ideas and its context of the construction and communication of ideas give its supplementary capacity to other institutionalist approach (Hay, 2006; Schmidt, 2008).

hierarchy of purposes behind the country's policy. The idea for this thesis is to question if the interpretative framework of change for Thailand's developmental welfare, qualified as a 'third order' change according to Hall (1993). Primarily, did the 1997 financial crisis create a new trajectory or was it a shift in the direction of the developmental path? Was it a readjustment or a complete redesign of institutions? Remaining with the focus on discourse and ideas, the thesis probes into the specifics of the OTOP policy. It identifies the ideas of politicians, major business groups, and local producers. It also considers how the various stakeholders defined the problems of unemployment and a lack of income support. By identifying the different viewpoints, the study pinpoints the dominating ideas and the direction of policy change. The study further uses the 'social construction of target population' (SCTP) framework of Schneider and Ingram (1993) and Mahoney and Thelen's (2010) conceptualization of 'change agents' to distinguish the combination of interests and strategies used to elicit change.

Finally, it is important to highlight that the inclusion of the various concepts in this research help advance a serious discussion on institutional change. More importantly, these concepts do not constitute separate analytical frameworks. Rather, explanatory variables such as *punctuated equilibrium* and exogenous shocks are part of the historical institutional framework. Meanwhile, gradual but transformative institutional change (also featured as policy 'drift' and 'layering') is a way in which the historical institutionalism tradition has been adapted to address the limitations of the punctuated equilibrium approach to change. In addition, the struggle of ideas demonstrates how institutions can be formed. Hence, the different emphases in this thesis are regarded as complementary perspectives rather than competing ones that all aim to further the understanding of institutional changes. Details of how these emphases integrate are further elaborated in Chapter Three.

1.4 Research Context

1.4.1 The 1997 Asian Financial Crisis

The Asian financial crisis of 1997 had a marked impact on the economic and social conditions in Asia. In terms of the economic impact, real per capita GDP fell by 16% in Indonesia, 12% in Thailand, 10% in Malaysia, 8% in South Korea and 3% in the Philippines (Barro, 2001). Following the crisis, more than 1 million people fell below the poverty line of US$1 per day in 1997-98, and the figure fell to more than 7 million by 2000 (World Bank, 1999). Unemployment rates increased as real output growth at first declined and then turned negative. In Thailand, the official unemployment reached the highest record of two million (about 5.4% of the labour force) in 1998 (World Bank, 1999). In addition, the largest groups affected by increased unemployment were lower-skilled and semi-skilled workers, mostly in the construction, service and manufacturing sectors (World Bank, 1999).

The difficult economic and social situation provoked by the Asian financial crisis forced the authorities in a number of countries in Asia to implement a wide range of structural reforms (Marshall and Butzbach, 2003). Nonetheless, Asian governments were not well prepared to deal with the social problems that followed the 1997 crisis. Demands for “safety net” programmes to contain the social costs of economic downturns expanded. The IMF had been called upon to implement stabilisation and structural adjustment programmes.[16] The post-crisis neoliberal approach, promoted by the IMF, the World Bank, and the Asian Development Bank, emphasized expanded liberalization, privatization, fiscal austerity, deregulation and decentralization (Stiglitz, 2002; Hewison, 1997).

In Thailand, neoliberal agendas were reinforced and the economic role of the state was furthered reduced during the Chuan government (1995-2001). Meanwhile, the economic and political power of domestic capital became threatened. By mid-1998, local businesses were deeply distressed. The crisis weakened the bank-based conglomerates that had long dominated the domestic capitalist class (Hewison, 1997b, 2002). Domestic business complained of high interest rates and a lack of liquidity in the economy (Hewison, 1997). Opposition to the neoliberal agendas increased.

The rise in neoliberal opposition coincided with a transition in political development in Thailand. In the first election following the deep recession in July 1997, Thaksin Shinawatra led his newly founded Thai Rak Thai (TRT) party to victory in January 2001 under Thailand's reformist 1997 Constitution. Throughout Thaksin Shinawatra's rise to power, the social and economic policies of his government were intimately linked to the domestic capital's struggle to re-establish its competitiveness and profitability. The TRT government raised a new social contract which included policies of social protection (Hewison, 2002). One of these policies is the OTOP policy. The initiative applies the trading of goods produced by small scale producers at the Tambon

[16] The first Letter of Intent (LOI) (14 August 1997) between the IMF and the Thai government involved a tightening of monetary and fiscal policy. It announced a reform programme for lowered wages, privatization of state enterprises, eased restrictions on foreign investment, and increased private sector participation in infrastructure projects.

level (corresponding to the smallest local authority level in Thailand) to reach the following objectives:

1. To create job opportunities within the local community.
2. To empower local communities to become self reliant.
3. To promote local knowledge in the development process.
4. To promote human resource development in the local community.
5. To promote a developmental paradigm most suited to the local culture and livelihood. (The Office of Small and Medium Enterprises Promotion, 2007).

The OTOP policy comes close to the government's attempt in linking economic flexibility and social protection. Since Thailand was not able to afford comparatively generous social insurance programmes, such as those found in the Scandinavian context, provision of an inclusive social safety net system was in demand. A dual-track policy fitted into this model. It aimed to increase both the competitiveness of domestically-produced products for exports and encourage self-sufficiency to ensure the security for the poor.[17]

1.4.2 From OVOP to OTOP

The OTOP policy is drawn from the 'One Village, One Product Programme' (OVOP) programme in Japan. OVOP is a community-centered, demand-driven regional economic development approach, initiated in a region called the Oita Prefecture in Japan in the 1970s (Kurokawa et al., 2008). The movement encouraged and empowered

[17] Since its initiation in 2001, the OTOP programme has created jobs in over 22,762 villages and its membership has covered over 1.3 million workers (Micro Enterprise Strategies Department, 2009: 24).

local citizens to uncover opportunities for economic growth and develop local industry with a global outlook. The OVOP approach aims to achieve economic development by developing products and services using locally available resources (Kurokawa et al., 2008).[18] Under OVOP, the concept of 'glocalization' is supported so that villages can develop specific products that represent local areas but which can also be competitive in the global markets (Kurokawa et al., 2008). 'Glocalization' aimed to promote both self-reliance and productivity among local producers.

The OVOP approach has attracted widespread attention in many developing countries. It is a potential tool for bridging the gap between community-driven development and local industrial promotion (Das, 2008). So far, OVOP has been introduced in a number of countries including Thailand, China, Indonesia, the Philippines and Malawi (Kurokawa et al., 2008). Specific content of the OVOP approach varies in different country. For example, in Japan there is little role for central government since most responsibility lies with the private sector (Kurokawa et al., 2008). In Thailand, however, the government is the driving force of the OTOP programme (Kurokawa et al., 2008).

The significance of OTOP to Thailand's developmental path lay in its emphasis on integrating the 'glocalization' approach to the lifestyle of rural workers, and its distinct coverage of the informal sector of the economy. Prior to OTOP, an absence of formal security for the informal sector was evident (this is discussed in further detail in Chapter

[18] Prior to the OVOP movement, local Japanese communities stimulated their economies by appealing to government for assistance in the form of grants and subsidies. They relied on government handouts. While government agencies and local authorities launched assistance programmes for small and medium enterprises (SMEs) and farmers, these assistance programs were not generally embraced. One of the main reasons for the limited uptake was the difficulty in accessing funds due to complicated government procedures (Das, 2008). In addition, local culture and tradition suppressed the growth of small business start-up. For example, women were forced to work in the home even though they had skills and capabilities sufficient to start new businesses (Kurokawa, 2008).

Four). The introduction of OTOP represented a different approach that allowed the government to formalize security for the informal sector.

For most developing context, Wood and Gough (2006) made an important point that a stark distinction lay between ‘insecurity’ ‘informal security’ and ‘formal security’ (2006: 1706). ‘Informal security’ is characterized by dependence on the family and community connection (Wood and Gough, 2006). Prior to OTOP, rural workers and those in the informal sector in Thailand depended on their family support (Pongsapich, 2002). There was no national health insurance or unemployment benefit for the informal workers for instance. The typical response was to rely on the immediate family or community networks if a member of the family lost their job.

Following OTOP, the informal sector, particularly those who worked in agriculture and the rural economy, received support from the state primarily in the form of free market or retail space to trade their local products under OTOP. Also, the government organized several OTOP fairs during the year. Support derived from the OTOP programme was a ‘functional equivalent’ (Estevez-Abe, 2008; Kamerman and Khan, 1989) of social protection in the Thai context since it delivered security against the risks of unemployment and lost income. The opportunity to work flexible hours and especially in their local village meant that OTOP producers received added income for the family. Some producers were able to integrate OTOP production with their seasonal work in the rice fields, while others shifted from their previous jobs to work mainly on the OTOP production.[19] Based on the research interviews, workers who

[19] Producers who were interviewed for this thesis mentioned that they initially integrated their work in the rice field with OTOP production.

became full-time OTOP producers found that selling OTOP goods offered a better income.

The emergence of the OTOP programme was the culmination of both exogenous and endogenous forces for change. As mentioned earlier in this section, its inspiration was drawn from outside the country, i.e., Japan’s OVOP. Moreover, discontent with the liberal influence of the IMF and the World Bank’s approach to the financial crisis left much to be called for in terms of the pragmatism of Thailand’s open economy. Despite these external influences, the explanation for change does not remain only with exogenous forces. Fundamentally, the Thai government had to prepare for incremental shifts - both at the ideational and the institutional levels in order to pave the way for new policy receptivity, including OTOP. It is here that endogenous factors are taken into account.

The struggle of ideas and interests play large roles in the changes of the country’s developmental path. Stakeholders of the OTOP policy have different views regarding the policy implication and its depiction as an income distribution mechanism and a community development initiative at the national level. According to general government overview, OTOP is successful in its ability to generate local employment and increase value added trade by utilizing locally available resources (Suphat, 2004). Nonetheless, challenges remain to the OTOP approach and its unintended consequences. This research brings into perspective the differing views and challenges featured during the process of OTOP policy change.

1.5 Main Arguments of the Thesis

The main arguments in this thesis relate to the basic assumptions of institutional change and developmental welfare. The first main argument of this thesis challenges the explanation of 'punctuated equilibrium' (Krasner, 1984). While conventional historical institutionalism and much of the empirical work on path dependence (Pierson, 2004) argues that transformation takes the form of 'punctuated equilibrium', the theory of institutional change needed to be adapted to cover endogenous variables that explain particular institutional patterns or outcomes (Mahoney and Thelen, 2010). This thesis argues that while the exogenous shock of the 1997 financial crisis contributed to some departure of the institutional path of developmental welfarism in Thailand, endogenous forces also contributed to ideational and institutional transformations. These endogenous shifts feature the incremental processes of 'layering' and 'conversion' as described by Streeck and Thelen (2005). This highlights the important point that developmental welfare provision in Thailand should not be seen as having only followed a path-dependent reflex to global economic pressures including the financial crisis. Importantly, the equilibrium before the exogenous shock of the 1997 financial crisis was not replaced by another stable equilibrium. Rather, endogenous forces found after the exogenous shock suggest an alternative mode of change characterized by institutional framework that was still in transition. This suggests that exogenous shocks can prompt gradual but transformative change and not simply punctuated equilibria.

Another important argument of the thesis is associated with the nexus between economic development and social protection as found in the developmental welfare context. Within that relationship, it is assumed that an overarching commitment to economic growth by the developmental state reduces the importance of social policy

(Holliday, 2005; Wood and Gough, 2006). However, it is argued in this thesis that the structure or design of economic development can both promote and impede social protection. I base this claim on the Thai context, whereby a shift in the overall goal of economic policy after the 1997 financial crisis from extensive growth based on cheap labour to local market development, brought about new meanings to developmental social policy in Thailand. This development aimed to be more inclusive and induce competitiveness among the local and national economy. The underlying philosophy of 'sufficiency economy' (Krongkaew, 2002) encouraged moderation and self protection from internal and external changes. However, the same policy system also allowed successful business entrepreneurs to exploit the policy, and left less-resourced producers exposed to unintended risks. This suggests that the prioritization of economic goals produces both benefits and impediments for social policy development.

Finally, this thesis forwards an argument regarding the pragmatism of social protection. It argues that social protection delivery entails a struggle, not only of ideas, but also of interests. Regard for Mahoney and Thelen's (2010) conceptualization of power effect in the process of institutional change supports the claim that the delivery of social protection relates to the calculation of interests. Both the state and the policy beneficiaries in the OTOP context pushed for their interests during instances of ambiguity or when there were gaps between policy interpretation and enforcement. This resulted in significant transformations of the OTOP's policy goals and beneficiaries, which were both intended and unintended.

1.6 Thesis Structure & Overview

The thesis is divided into seven chapters to serve the purposes of the study. This chapter has provided an overview of the topics discussed in the thesis and presents the chapter outline of the whole study. It sketched the scene by giving a background of the thesis, and explained the research questions as well as the main arguments of the thesis.

Chapter Two discusses the theoretical background and contexts to the study, including a literature review on developmental welfarism in Asia, and the nexus of developmental welfarism with the Asian financial crisis of 1997. Emphasis is placed during the ten years period following the Asian financial crisis of 1997. In analyzing developmental welfare and then stipulating a working definition for this thesis, the chapter reveals that the ethos of developmental welfarism has remained an integral aspect of many Asian countries, including Thailand.

Chapter Three covers the research theories and the methodology chosen for this research study. It discusses historical institutionalism and the principal approaches of ‘change’ within that perspective. It goes in depth to the application of the analytical frameworks in this research while also highlighting the strengths and weaknesses of the ‘qualitative’ type of study.

The focus of Chapter Four is to examine critically developmental welfarism in the context of Thailand. It looks at developmental policies in detail, specifically, documenting how they emerged and how they evolved. Analysis traces the concept through the country’s national development programmes and also through the National Economic and Social Plans. By keeping in mind the essence of developmental welfarism, this chapter shows how the developmental path of Thailand featured the contested notion of economic growth that failed to incorporate social protection for the majority of the population. The chapter then emphasizes the need to recognize, for the purpose of analytical clarity, the shifting pattern of institutional path in developmental welfarism following the Asian financial crisis.

Chapter Five reviews the changes associated with the OTOP policy. OTOP is treated as a case study rooted in the country's shifting developmental welfare context. The key task in this chapter is to consider how OTOP has been evolving in its application. It examines critically past experiences of OTOP during the formative years of its inception. Then, it analyses OTOP in its latter years during subsequent governments including the TRT administration. By applying the frameworks of incremental change and the struggle over ideas, it demonstrates how the Thai government chose the OTOP policy as a form of social protection for the rural economy. The study also shows how both the government and policy recipients responded to the government initiative and what effect this had on the development of OTOP.

Chapter Six continues the analysis of OTOP. It uses Mahoney and Thelen's (2010) conceptualization of 'change agents' and Schneider and Ingram's (1993, 2008) 'social construction of target population' as frameworks to analyze the policy. The frameworks show how each policy group orientates to different expectation of policy responses. The chapter identifies how there may be a gap in the 'social construction of target population' framework, in which the target population may choose not to engage with a policy that is aimed to benefit because the policy does not address their problems.

Finally, Chapter Seven provides an overview of the arguments presented in the previous chapters. The chapter considers the problems associated with changes of the OTOP policy and the wider developmental welfare context of Thailand. It also delineates the main contribution of the thesis to the study of developmental welfare and institutional change. Finally, the chapter retains a critical awareness of national context and variation in summarizing the findings that explained the transformation surrounding the 1997 financial crisis in the Thai context.

Chapter 2
The Developmental State

According to the objectives of this study, the review of related literature focuses on the developmental state of East and Southeast Asia and how economic pressures are likely to provoke differential responses from developmental regimes depending on their political and institutional characteristics. The discussion on East and Southeast Asian welfare regime remains particularly instructive in occasion of the necessary adjustment of social protection following a financial crisis. This chapter starts with a review of the different types of welfare regime developed in Western and Asian capital societies as a comparative context to draw out the distinguishing features of developmental welfarism in Asia. The study recognizes that developmental welfarism in the region has been evolving in different directions in terms of institutional arrangement, and therefore particular attention is given to the concept of 'change and continuity' in the period following the 1997 Asian financial crisis.

2.1 Why a Developmental State and not a Welfare State in Asia?

A study of the impact of global impacts on social policy in Asia needs to be preceded by a brief consideration of how the concept of 'developmental state' originated and is applied. The gap in the study of welfare regimes can be sketched back to early attempts of classification in Western literatures. A review of early typologies of western welfare regime traces back to the 1950s of Marshall (1950; 1963; 1981) and Titmuss (1963), Wilensky (1975), and Flora and Heidenheimer (1981). Titmuss (1963) classified welfare regime into three models – residual, institutional-redistributive, and industrial-achievement models. His distinction between 'residual' and 'institutional' systems indicated a difference between states that regarded protection of individuals as drawn from market failures while in another category, comprehensive protection was given out of commitment to issues of citizenship (Titmuss, 1963). Esping-Anderson (1990) added to this initial attempt of classification by employing three dimensions to distinguish welfare regimes: (i) the major institutions guaranteeing social security (state, market, and family), (ii) the kind of stratification systems, and (iii) the degree of decommodification. Based on these criteria, he identified three ideal-types of welfare states, which are conservative, liberal, and social democratic. Esping-Adersen's preoccupation with the state-market dimension as the primary source of variation among regime types excluded alternative dimensions of welfare, particularly those found in Asia. Debates surrounding Esping-Andersen's model point to its shortcomings and the need for alternative classificatory systems which would account for anomalous cases that do not fall neatly within the classification system. As such, cases have been made for accommodating a fourth welfare regime type. Holliday and Wilding (2003), for example, insist that the East Asian welfare regimes constitute a fourth welfare regime, which is missing from Gosta Esping-Andersen's analysis of the three types of welfare capitalism found in the Western context. Holliday (2000: 708) used the term 'productivist welfare capitalism' (PWC) to capture this regime type. Other explanations including cultural views have instructed the study of East Asian welfare states. Along this perspective, Jones (1990) defined the East Asian welfare states as 'oikonomic' or Confucian while emphasizing familialism and aversion to public service (Jones, 1990:1). Herein, the cultural explanatory approach remains inadequate because of the diverse cultural heritage and the setting among countries in the region, i.e., Confucianism found in Korea, Taiwan, and Singapore; Buddhism in Thailand, and Catholicism in the Philippines. Critics of this approach turned to the role of the state (White and Goodman, 1998; Deyo, 1992;

Gough, 2004). Ian Gough (2004: 16-18), for instance, provides the analysis of the ‘developmental state’ in his description of social welfare in Asia. Under the developmental state, social policy is integrated in the broad context of economic and social development. *Developmental welfarism* is driven primarily by the requirements and outcomes of both social and economic development policy (Gough, 2004).

2.1.1 What is a developmental state?

In a developmental state, the government is intimately involved in the macro and micro-economic planning to promote the growth of the country’s economy (Onis, 1991). Strong state intervention is the predominant feature of this kind of state. States intervene in the market to build up industries that selectively become the basis for broader industrial development (Onis, 1991). South Korea’s commitment to its steel industry is an illustration of the point (Shin, 2009).

Chalmers Johnson (1999) draws the distinction between regulatory state and developmental state. A regulatory state governs the economy through regulatory agencies that enforce standards of behavior to protect the public against market failures such as monopolistic pricing and predation (Johnson, 1999). It also provides collective goods (such as national defense or public education) that would be undersupplied by the market. In contrast, a developmental state intervenes more directly in the economy in order to primarily promote the growth of new industries and to reduce the dislocations caused by shifts in investment and profits from old to new industries (Johnson, 1999).

Several scholars see the developmental conception as influenced by the historical background of national-building and economic development after World War II (Kim, 2009; Doner, 2005). The idea extends to the realities of systemic vulnerability where political leaders' recognize that coherent bureaucracies and broad public-private linkages could produce the resources necessary to sustain coalitions and secure state survival (Doner, 2005: 356). Considering the different impetus of systemic vulnerabilities, there remains a disjointed set of welfare policies linked to diverse histories of welfare policies, the involvement of different sets of policy actors, and variations in the policymaking process. To avoid an oversimplification of classification among East Asian developmental states, Holliday (2002) suggests three different types of productivist welfare. The three groups are identified as facilitative (Hong Kong), developmental-universalist (Japan, Korea, and Taiwan), and developmental-particularist (Singapore) (Holliday, 2002). His typology describes the different groups in terms of social rights, stratification effects, and state-market-family relationship. Meanwhile, Kwon (2005) categorizes productivist welfare states into two systems – inclusive and selective – based on whether the coverage of social insurance is universal or selective. Both types are engaged in productivism, but the selective form is typified by selective orientation and authoritarian political background while the inclusive form is characterized by universal social investment and democratic governance (Kwon, 2005). East Asian countries fall into the category of selective developmental welfare state, whereas Nordic countries are inclusive in form (Kwon, 2005). While Kwon's criteria for exploring systematic divergence point to variances in the Asian context, the criterion itself is rooted in the Western division between 'selective' and 'universal' coverage.

On the other hand, Doner et al. (2005) extend the study of developmental state origins beyond the usual focus on the Northeast Asian newly industrialized countries by including Southeast Asian countries. It is important to point out the distinction between Northeast and Southeast Asian countries in this thesis because the country variations in this region are wide, and because the context of study revolves primarily around the developmental state in Southeast Asia. For Doner et al (2005), contrasting scenarios between developmental states of Northeast Asia[20] and Southeast Asia[21] lay in the economic and political linkage. In the countries of Southeast Asia, public-private linkages exhibit significant degrees of clientelism and private-sector factionalism; while Northeast public-private linkages exhibit competitive selection, high embeddedness with organized private actors and low levels of corruption. While Doner et al. (2005) attempts to differentiate and categorize developmental states in East Asia, the diversified nature of countries in the region point to different stages of policy development, and for this reason, it may be inadequate to fit a welfare model or regime characterizing these countries based on only a primary linkage. The challenges to the developmental states of East and Southeast Asia are still unfolding, and therefore directions of exploration should give emphasis to other factors such as economic globalization on the welfare systems in this region. For example, countries such as South Korea, Taiwan and Thailand are seen to progress toward the founding of social citizenship following the 1997 financial crisis in terms of the influence of political transition, while other countries such as Malaysia, Indonesia and the Philippines are based on welfare residualism and traditional norms of subsidiarity and

[20] According to Doner et al (2005), their analysis of Northeast Asia countries includes South Korea, Taiwan and Singapore.
[21] Doner's (2005) reference to Southeast Asia include ASEAN-4, namely Philippines, Indonesia, Thailand and Malaysia.

communitarianism (Haggard and Kaufman, 2008). All this implies the necessity for further studies into country-specific changes and continuities.

2.2 Important Basics of the Developmental State

2.2.1 The Primacy of Economic Development

In the study of the welfare system[22] in Asia (Gough 2001; Holliday 2000; Deyo 1992), one notable emphasis is the primacy of socio-economic factors influencing social policies under the Asian context. In his description of 'developmental state', Gough (2001) assert that policy makers strategize to achieve economic growth as the fundamental goal, and use social policy as an instrument for attaining that goal. In his proposal of *productivist welfare capitalism,* Holliday (2000) also exemplifies how social policy is used to further economic development. He goes as far to say that within the subordination of social welfare to economic efficiency, social policy is de-linked from the concepts of social rights and social citizenship. Holliday (2000) denotes the example of universal access to education in Japan, Korea, and Taiwan as being a means for human capital development and economic investment rather than a way of re-distributing wealth and equalizing opportunity for social class mobility (Holliday, 2000: 708). The emphasis remains upon authority to create and maintain policies to achieve economic goals.

Notwithstanding the primacy of economic goals, the interrelatedness of economic and social factors and the importance of incorporating social development into economic development among Asian states are not new and unique. Kwon (2005) in tracing the

[22] Gough (2001) claims that a welfare regime extends far beyond social protection programmes; it includes other public programmes notably health and education and their functional equivalents, and it embraces the combined, interdependent way that welfare is produced and allocated between state, market, household and third sector.

history of developmental states, points to Otto von Bismarck's social policy in the 1880s, which sought to facilitate industrialization through social insurance programmes. The main point Kwon (2005) relates to is that evolution of economic goal and priorities suggest changes in all welfare state. As each country have different cycle of evolution, Deyo (1992) describes how the shift of Asian industrialization emphasized low income policy in its initiation and then moved towards expanded social progrmames as part of wage subsidy once high value-added exports became the focus of the economy. Here, the complexities of embedded social and political arrangements in national welfare regimes means that countries will go through not only different cycles of evolution but that they will develop their own system of social protection and social security that aligns with their own economic and social conditions. For example, decision to upgrade the skills and education of the labour force marked the shift in Northeast Asian states' competitive strategy towards high value-added production, meanwhile, social expenditure, directed to education and health, was planned as part of nation-building strategy and export-oriented industrialization (Kwon, 2005). This was a distinctive path from other Southeast Asian countries, which based their competitiveness on cheap labour. The point here is that different systems have path-dependent variations in the welfare mixes, resulting in a differentiated approach to capture the gains of economic globalization.

2.2.2 Political Aspect of the Developmental State

Apart from the precedence of economic policy before social policy in welfare development of Asian countries, political influence is also integral to understanding the Asian developmental state. Parallel to the explanations emphasizing socio-economic factors, there are analysts who look to political forces for explaining social policy development. For instance, Ramesh (2000) argues that the role of social policies in Southeast Asia is to build political support for the regime. His explanation illustrates how policy initiatives have occurred at times of internal threats, such as the communist insurgency and race riots in Malaysia during the 1960s, or in the early 1970s in Indonesia following rioting against the brutal imposition of the New Order (Ramesh, 2000). Similarly, Hort (2000) goes on to say that developmental states emerge when political leaders confront extraordinarily constrained political environments, which include ethnic crisis, civilian revolt, or prospect of losing office subsequent to election losses or military coups. Furthermore, Myles (1989) contends that during electoral competition among political parties, social programmes are adopted to demonstrate responsiveness to electorate demand. Moreover, public choice theory describes corresponding experience of politicians maximizing their vote by subscribing to social policies (Howlett and Ramesh, 1995). South Korea and Taiwan's expansion of welfare systems during the 1990s are cases in point. Gradual transition to competitively elected governments in Asia meant that politicians had to increasingly compete for support with social policy promises. Electoral politics translated to social mobilization. Here, Ramesh (2003) provides the observation that while political crisis of ethnic crisis, civilian revolt, election losses and military coups have prompted foundation of social security programmes in Southeast Asia, the actual policy evolvement are much influenced by their precedence rather than external factors. Fundamentally, modification of these policies is aimed to please voters and secure the government's own survival through social and political support.

Other emphasis in the political argument points to competition among social groups. In the Southeast Asian experience, the argument is relevant to strong bureaucracy and military group who are the main beneficiaries of publicly financed social security and health care (Ramesh, 2000). It is assumed that these beneficiaries reinforce the status quo while pushing for the state's economic goals rather than a redistribution of social benefits (Ramesh, 2000).

While these explanations portray developmental states as non-autonomous entities, constrained by coalitional demands, one notes that social policies may be just one means of securing support for a regime. There are other means for states to secure their rule and domination such as promoting rapid economic growth. At the same time, other explanations emphasize a certain level of state autonomy in achieving specified objective. According to the state-centred approach (Evans et al, 1985), the state has to maintain a certain level of autonomy in successfully achieving its objectives. If the state constantly responded to pressure imposed upon by social groups or classes, it would not be able to achieve its goals. Nonetheless, the traditional statist explanation is seemingly inadequate if one considers that state functioning does not exist in a vacuum. Rather, this study maintains that state operation relies upon the balance of its autonomy as well as the institutionalized links that the state has with its society. This is demonstrated in the case study of the research on the Thai context and in the OTOP example.

2.3 Features of the Developmental State

2.3.1 Public Expenditure

The level of public expenditures is an important social indicator of a country's normative approach to social policy. The record shows that in comparison with

Western countries, developmental states of Southeast Asian countries have smaller welfare spending (please see table 2.1 below).

Table 2.1 Comparing Welfare Spending

2004-2006										
Country	East & Southeast Asian Countries						Western Countries			
	JP	KR	SNG	MAL	PHI	THA	GER	SWE	UK	US
Education[23] (% of GDP)	3.3	4.5	4.1	5.3	3.1	3.8	4.1	6.2	5.2	5.0
Healthcare[24] (% of GDP)	6.3	3	1.3	2.2	1.4	2.3	8.2	7.7	7.0	6.9
Healthcare[25] (% of private)	93.4	100	96.9	74.1	77.9	74.7	57.5	92	91.8	23.8

Source[26]: World Development Indicators 2007, ADB, Education at a Glance 2009, OECD.
Sample countries: Japan, South Korea, Singapore, Malaysia, Philippines, Thailand, Germany, Sweden, UK, US.

Bearing in mind both the usefulness and limitations of public expenditure approach,[27] the absence of social spending does not suggest the absence of welfare provision. Here, attempts to contextualize spending data by analyzing the institutional features of welfare systems add to our understanding. In Asia, welfare arrangements are different in the context of the relative importance of state, markets, and family as the principal sources for social protection. The role of the family and the market plays particularly important part in welfare provision. In the description of the *welfare mix* in the Asian region, Gough (2001) makes the important point that extensive family provision and redistribution, and growing private markets and community-based organizations can be found amidst the low public expenditure and provision. Ramesh (2000) also points out in his finding of welfare capitalism in Southeast Asia that the private sector has an

[23] Education at a Glance 2009, OECD, Statics cover year 2006. Public expenditure for total levels of education as part of a percentage of the GDP.
[24] World Develoopment Indicators, 2007. Statistics cover year 2004. Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowing, and grants (including donations from international agencies and nongovernmental organizations, and social or compulsory health insurance funds.
[25] World Develoopment Indicators, 2007. Statistics cover year 2004. Out of pocket health expenditure is any direct outlay by households, including gratuities and in kind payments to health practitioners and suppliers of pharmaceuticals, therapeutic appliances and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of indviduals or population groups. It is part of private health expenditure.
[26] Because coverage, definition and data collection methods differ across countries and may change over time within a country, these statistics are meant to provide only an approximation and are not definite indication. For example, absence of consistent national health accounting systems in most developing countries makes cross country comparisons of health spending difficult.
[27] The approach has limitations in presenting the exact measurement of welfare provision by omitting significant changes. For example, if the elderly population increases, social expenditure such as pension benefits would show an increase in spite of possible decreases in the level of benefit and coverage. Also Esping Andersen (1990) argues, the expenditure approach, cannot deal with the theoretical substance of welfare such as power and democracy.

increasing role in the provision and financing of social programmes. Especially, in the area of health care, private providers are considered more efficient due to competitive pressures in the health market (Ramesh, 2000: 180). By these assertions, it is important to look beyond the narrow range of social spending programmes and ask how Asian countries also draw upon nonwelfare policies to support social protection for its citizens.

2.3.2 Functional Equivalents

Instead of straightforward welfare indicators such as that mentioned in the previous section, Bonoli (2003), Stevens (1990), Kamerman and Khan (1989), and Estevez-Abe (2008) have looked at *functional equivalents* in exploring the wider context of welfare delivery. Asian citizens rely on functional equivalents for protection. For example, market regulations and employment protection serve as functional equivalents to orthodox income transfers to families as they promote work-mediated welfare benefits and protect jobs.[28] These functional equivalents are not captured by statistics on social spending, but they deliver protection.

Functional equivalents are important to the specificity of the region. For instance, these functional equivalents are better suited in addressing informal unemployment, (Ramesh, 2000: 192). To illustrate the point, conventional measure such as social insurance is not suited to addressing informal unemployment in developing countries since they exclude informal workers. Estevez-Abe (2008), for instance, notes how functional equivalents in Japan have been used to deliver protection to specific groups

[28] Another form of functional equivalents that have been looked by Hacker (2004) include employer-provided corporate programmes.

of beneficiaries, i.e., occupational groups. In Southeast Asia, functional equivalents are seen to fill the scope and nature of social protection for rural workers. Subsidies to rural families, for example, provide protection for those without nonagricultural work opportunities. This form of functional equivalent to full employment policy exists for those living outside main industrial cities. For this reason, it is important to consider how Asian countries combine social protection programmes and their functional equivalents in specific ways in order to understand the extent of developmental welfarism in Asia. Within this study, the functional equivalent of income support and employment under the One Tambon One Policy (OTOP) policy is examined in the following chapters.

2.3.3 The Mixed Economy of Welfare

It is worth noting that in the Asian developmental context, one sees the strong role of the state and the predominance of state-influenced market economy in the way in which production modes interact as part of ‘institutional complementarities’ (Hall and Soskice 2001, Ebbinghaus and Manow 2001; Huber and Stephen 2001). Schmidt (2006) in her analysis of Varieties of Capitalism (VoC), assert that the substantive ideas and discursive interactions of political actors have a tremendous and unpredictable impact on the coordinating capabilities of economic actors (Schmidt, 2006: 4). Here, institutional capacity often influences policy choices. The state is a key institution as an organizer and a provider of social protection and provisioning. ‘Capacity’ refers not only to the direct provision by the state of social services through public expenditure, but also to the state’s ability to regulate and stimulate non-state actors in the fulfillment of requirements in social sectors. For example, in Asia, political communication and deliberation on the choice of policies remains integral amidst the increase of private sector role. Holliday (2000), in his analysis of productive welfare capitalism in Asia, notes that if the private sector fails to meet social policy needs held to be crucial to economic advancement, the state is expected to step in to meet the shortfall. By this setup, much commercialization of service provision is still premised on the developmental capacity of the state. In addition, Ramesh (2000: 195) notes that apart from the market, families, and community cannot replace the state as the main source or the only mechanism for providing social security even though the market and families provide substantial social goods in Asian countries. Ramesh (2000: 195) contends that family's capacity to provide social security is limited because they may be poor. Also, increasing proportion of women participation in the labour market means that these women have to reduce their role as care givers in the family. For these reasons, the state's role in social policies and its complementarities with other societal actors remain critically important as shown in the following sections.

2.3.3.1 Developmental State and the Business Sector

Several views are presented in relation to business and developmental state linkages of the developmental state (Wade 1990; Johnson 1999; Chang 1999; Vartiainen 1999). It is said that this relation varies over time in response to changing circumstances. Chalmers Johnson (1999) notes that by the concept of 'developmental state,' "each side[29] is able to use the other in a mutually beneficial relationship to achieve developmental goals and enterprise viability" (Johnson, 1999: 60); In the case of big businesses such as Chaebol groups in South Korea, these private businesses have benefited by being the agency of public purpose (Kwon, 2005).

[29] The context refers to the public and private sectors.

While some may argue that in general, the principle means for firms to keep up with economic competition may be to maintain low prices and hold wages low, it is argued that firms may lose out in productivity and labour relations in the long run. Instead of a systematic non-compliance with norms regulating taxation, labour and social systems rights, businesses are able to cope better with economic competition by working with government. For this reason, firms engage in strategic interaction with the developmental state to maintain its relevance, especially where markets are imperfect and there is a need for institutional support. In Michael Lind's (1992) term, businesses are supposed to work around the incentives and disincentives of the state.

While the state maintains its dominance, Aoki (1988) points out that bureaucracy is a delineator of public interests and an agent representing the interests of its constituents in respect of the other interests in the coordinating processes. Vartiainen (1999) also claims that 'weak'[30] states, by which she refers to those with unsuccessful intervention in economic development, tend to have bureaucracies that behave according to the economic logic of individual maximization. Under this logic, administrative behavior is aimed at individual revenue, and bribery and corruption are connected to investment opportunity. Some would even argue that in the case of the Asian financial crisis, the close relationship between governments, corporations and banks led to crony capitalism (Singh, 2000). For this reason, the 1997 crisis and the IMF policy recommendations (specifically discussed in Chapter Four) that insist upon the change of the relationship between government and business and their labour

[30] Vartianen (1999: 219) notes that a state is 'strong' when it is able to insulate from the market, and its bureaucratic and meritocratic features impose collective objectives onto civil servants. Furthermore, a strong state has economic maturity and strong external ties to the economies agents (Vartianen, 1999: 219). In addition, a strong state maintains mutual dependence or balance with the rest of economy by honouring and being in a position to discipline economic actors (Vartianen, 1999: 219). In summary, Vartianen conceptualization of a 'weak' state is drawn in contrast to a 'strong' state and its successful intervention in economic development.

laws, are aimed to alter the behavior of economic agents. This study examines the transition in particular to the Thai context.

2.3.3.2 Developmental State and Civil Society Organizations

In Asia, the degree to which civil society organisations can function depends in part on the government, i.e., whether the government wants to limit the activities of these organisations or to give them opportunities to promote the empowerment of the people (Pongsapich, 2001: 233). For example, in the Thai case, while the government recognized the role of civil society organisations and an NGO-GO Co-ordinating Organisation for Development (NGO-COD) was established during the 6th National Development Plan (1986-1991) (Pongsapich, 2001: 244), government's barring of media releases also stood as a form of state manipulation and control. From such example, it could be argued that the level of support towards civil society organizations is contingent to the countries of the region becoming more democratized (No, 2001). The basic tenet is that the success of a voluntaristic approach depends on the institutionalization of such basic rights as the right to organize. However, apart from the democratization explanation, most governments now realize the importance of civil society organizations given the public sector's limited resources (Pongsapich, 2001: 244). In addition, globalization has made transparency easier to achieve since the means of modern communication, and their diffusion across societies, give a wide variety of voices the chance to express themselves (Florini, 2003). For example, the question of whether power-wielders are meeting appropriate standards is being asked (Kopits and Craig, 1998). Thus it can be said that the need for government to remain credible and transparent is pushing past boundaries of the developmental state to become more open to civil society forces.

2.4 Globalization and the Developmental State

The focus of this thesis is on the consequences of the developmental state as influenced by the exogenous force of the 1997 financial crisis. Having explored the features of the developmental state in the previous sections, the following part of this chapter makes the connection of how a developmental state may be influenced by the forces of globalization. We begin with a summary of the key features of the 1997 financial crisis. The Asian financial crisis started in Thailand approximately during July 1997 (Siamwalla, 1997). At the time of the crisis, Thailand experienced foreign debt (Jomo, 1998). The collapse of the Thai baht led to slumping currencies and devalued stock markets in other Southeast Asian countries (Bello, 1998). Meanwhile, the OECD (1998) mentioned how the cause of the crisis relates to the structural problems of the Asian economies. These structural deficiencies are explained as follow:

> … weaknesses in corporate governance arrangements; lack of transparency about business ' financial situation and their relationship to government authorities; poor regulatory and supervisory arrangements in the financial sector; and tendencies to high indebtedness and over-leveraging in business sector and to allowing financial institutions to continue operating with high levels of non-performing loans (OECD, 1998: 9).

Since this thesis aims to discuss mainly the consequence of the financial crisis upon the Thai developmental state, the thesis will not go into additional detail on the cause and nature of the crisis. Rather, this description is already offered by various authors. Further information on the 1997 crisis can be found in the works of Siamwalla (1997), Bello et al. (1998), and Jomo (1998).

Importantly, this thesis considers how the 1997 Asian financial crisis impinges on social policy in various ways. The section critically explores more broadly the extent to which globalization affects the developmental state. Countering views on the impacts of globalization are assessed. The section begins by outlining the different positions, with critique of the claim derived from the neo-liberal position, namely one that views globalization as significant and leading to state retrenchment. The countervailing argument of globalization skeptics, that domestic pressure is more important in propelling change, is also addressed. The section then reviews the experiences of the developmental states following the 1997 Asian financial crisis to explore the extent to which policy changes have taken place in response to the pressures of globalization. In exploring these cases, the study endorses the standpoint that the effects of globalization on developmental states are differentiated by its place in the international political economy and by the domestic politics of power balance.

2.4.1 Globalization Aspects

First, it is important to distinguish aspects by which globalisation might impact upon the welfare states. For the purpose of this study, the focus on the relationship between globalization and the developmental state concentrates on the impact of *economic* globalisation as well as the impact of *political* globalisation. Economic globalisation's impact upon welfares states relates to the competitiveness of welfare states in a global economy. It refers to the growing integration of international markets for goods, services, and finance, signified by expansion of international capital flow and production (Glatzer and Rueschemeyer, 2005).

Political globalisation's impact upon welfare states revolves around the influence on national social policy and projection of wanted policy outcome of international organisations (Deacon, 1997). Government roles and activities change and are affected by social and economic transformations at the international level. In particular, these changes take place in the relationships of power and regulation, authority, and interconnected networks that condition the governing approach.

2.4.2 Debates on Economic Globalization

Theorists of globalization suggest that the globalization process undermines states' ability to shape economies and regulatory regimes (Yeats, 2001; Mishra, 1999; Reiger, 2003). For them, economic globalization is characterized by the world economy entering a stage marked by growing internationalization of market and production. According to this conception, multinational companies (MNCs) and trans-national companies (TNCs) are not attached to any particular nation and will move their production base to where labour is cheap and to countries where the government is accommodating. As a result, state and governments de-regulate their economies, keep taxation rates low, and labour markets flexible to attract multinational companies (Yeats, 2001).

In probing the plausible consequence of economic globalization on developmental state, the proponents of this claim consider state retrenchment as being the prime response to economic globalization. Ramesh Mishra (1999) asserts that globalization exerts downward pressure on systems of social protection and social expenditure. States would have to engage in the 'race to the bottom' and cut public and social services. Investment shifts to environment that is conducive to conducting business.

For example, this may be in the form of low regulation on labour wage or low expenditure invested in the cost of companies on workers' healthcare. Party politics become irrelevant as governments act as enablers only to attract inward multinational investment, pursuing a low wage economy (Reiger, 2003). In addition, Peter Leonard (1997) suggests that while states cut social wage and reduce public expenditure in order to pursue competitive taxation policies, rising privatization of state provisions and increased welfare delivery by the market occur. By this inference, welfare convergence around the neo-liberal model of state provision is claimed to be the consequence (Sykes, 2001). Also, the demands of the global market highly influenced the space for national development policy.

Alternate view posits that changes in the world economy do not attest that national interests are undermined by global capitalism. This claim contends that economic globalization does not lead to state retrenchment but rather to the strengthening of state position in social provision. For example, while Asian states provide contracts to multinational companies, they set policy directions and try to protect their people from the negative consequences of foreign corporate exploitation. A case in point would be Thailand's development policy on import substitution, in which 80 to 150 percent of tariffs are imposed on imported goods in order to protect domestic companies engaged in production of competing goods (Muscat, 1994). Also, while multinationals may move their production bases to where labour is cheap, they still require guarantees of raw materials availability, appropriate power supply, reliable component manufacturers, transport networks, and infrastructure. All of which takes years of forged relationships with local businesses and government. Therefore it is presumptuous to believe that shifts made by MNC's would involve only scheming for the cheapest labour, in neglect of other calculated planning and risk assessment. A case in point is Singapore's attractiveness to foreign capital, despite the presence of cheap labour in many other developing countries. Investors in Singapore still depend on the country's relatively reliable government administration (Tremawan, 1994). Furthermore, the interests of capital owners are not opposed to social policies as these policies associate with productivity gains. Rather, transnational capital needs the support of the state in upholding laws and social contracts on which economic globalization is dependent (Reiger, 2003). National state policies provide legitimation of capital production. MNCs know that profits can not be made in countries where there are civil unrests, such were the cases of foreign companies that failed to operate during times of political turmoil in some Southeast Asian countries such as Cambodia (Apodaca, 2002). For these reasons, state maintains the essential role of being the organizer and guarantor of the market, ensuring provisions of property rights and legal contexts in which disputes can be resolved between economic actors.

In contrast to the debated views, states seemingly generate divergent responses to economic globalization. Some governments and international institutions will pursue particular forms of globalization according to their political project. This is the case when economic globalization is a platform that involves unequal players. For example, contrary to those who argue that globalization necessarily forces states to cut commitments to welfare, empirical evidence shows that some European states maintained strong welfare state commitments during periods of rapid economic liberalization and globalization (Orenstein & Haas, 2005). Examples of Spain and Portugal during the 1970's show that increase opening to the international economy did not lead to government cutbacks, but extensive welfare state building. Both countries opened their economy to international trade and capital flows, and developed comprehensive welfare states, favourable to a new balance of power and in response to the threat of communism and earlier authoritarian corporatist regimes (Glatzer & Rueschemeyer, 2005).

Empirical evidence also suggests that diversity remains the feature of welfare delivery in contrasting nations. Specific examples include Singapore's universal welfare system and the application of the Central Provident Fund in parallel to its pursuit of export-led growth strategy, as well as Hong Kong's residual welfare state with emphasis on private solutions to social problems (except for public housing) (Gough, 2001). These cases demonstrate that governments employ different schemes and social policy in dealing with the realities of domestic issues and the impact of globalization. They are not intended to exemplify that globalization *causes* welfare state expansion, since increases in social risks and demands for social protection are not only associated and instigated by globalization. Rather, they highlight that extensive state welfare does not have to be in contention with economic globalization, as some posits them to be.

2.4.3 Debates on Political Globalization

Political globalization theory suggests that states can no longer manage or control capitalism, which has undergone transformation in its mode of operation. The power of the state is hollowed out, and it is shifted towards international financial markets, global companies and supra-national organizations such as the World Bank, the World Trade Organization, and the International Monetary Fund (Ohmae, 1996). Big governments shrink in size and their power devolves as they have less control in the environment which they operate (Reich, 1992).

In response to the nature of modern capitalism and socio-economic problems, some would argue for international solutions, and therefore the need for ‘global regulation’ and global forms of governance to control the power of multinationals (Deacon, 1997). This contention may be relevant to what we witness as social problems move out of the confines of national boundary, e.g., the subprime mortgage crises which resulted in the global investment downturn. In this, Deacon (1997) contends for global social policy, whereby different countries join together and commit to shared agendas of social redistribution, regulation, and provision.

Notwithstanding that recommendation, international bodies are still an assembly of nations with different interests and power bases. Within the UN, the Security Council comprises the most powerful military regimes. In the past, decision making by the five permanent members did not witness ceding of national power or interests. As for the Bretton Woods institutions, advanced welfare states are in position of securing a political standing with considerable autonomy from international financial institutions, because these countries are comparatively less likely to be in the position to go to, for example, to the IMF and be subjected to conditionality of loans. Rather, advanced welfare states have used the channels of IMF and World Bank loan conditions to impose trade liberalization and foreign investment rules and restrictions on many developing countries. An illustration of the point is WTO’s tightening of Intellectual Property laws, and request for developing countries to comply with US standards (Chang, 2007). The same condition applies for WTO agreements. Although they contain ‘special and differential treatment’ provisions for developing countries, these provisions provide longer time periods for developing countries to liberalize economic rules (Chang, 2007). The default position remains with free trade and the expansion of liberal investment opportunities (Callinicos, 2003).

This is not to discount the need for a systematic solution to the current and future problems generated by global capitalism. Rather, the point is that the power of international entities, such as the World Bank and World Trade Organization (WTO) are still limited relative to states. These organizations are constrained because the legitimacy of their actions is judged by the purposes for which they were established, and by the evolving standards of benefits and harms, especially the interests they serve of their member states. In the cases mentioned above, the lines of accountability that runs to powerful states, whose policies are at odds with other countries, is still problematic.

If one was to still emphasize international focus, however, mechanisms for appropriate accountability need to be institutionalized. This is where globalization allows for a wider platform for contestation as well as opportunities in responding to change, as well as meeting the welfare needs of the people. The concept of accountability implies that the actors being held accountable have obligations to act consistently with accepted standards, or that they be sanctioned for failure if they do not act accordingly (Woods, 2001). At the global level, while the World Bank and IMF are subject to supervision by states, advocacy groups within states can put pressure on organizations such as the IMF and World Bank through domestic political institutions. This was the case when environmentalists put pressure on World Bank loans for dam projects in the 1980's (Fox & Brown, 1998). Furthermore, market accountability, whereby investors and consumers' influence is exercised through the market, can also be placed on countries whose policies they dislike (Mosley, 2003). At the same time, consumer citizens may refuse to buy products from firms with bad reputations for labour standards or other practices. Movement against Nike sweatshops demonstrated this case (Konopasek, 2001).

In general, globalization has changed the framing of social responsibilities, where the balance of power between and within states is no longer confined merely to government. Interdependence between economic relations and activities from the social and political context in which they are embedded, has created different pressure points. Examples of global social movement to resist neo-liberal globalization can be seen in the movements on the street of Seattle in 1999 in protest against the World Trade Organization Third Ministerial (Cooper, 1999). Also, anti-capitalist protest in Barcelona in 2000 in demonstration for the possibility of another world, including basic welfare demands, encapsulates alternative views in contrast to neo-liberal globalization (Nineham, 2006). In addition, one sees contestation between consumer and unethical trading (i.e., ban of Nike products because of the use of unethical child labour) (Bretton & Hacken, 2006). From these examples, one demonstrates the point that because of globalization, developmental states can no longer take for granted the primacy of the state's role in social provision. States, along with other actors in society, need to be more vigilant in regulating what is appropriate in the confines of developmental state. Thus, the balance of power and the ability to act are important factors in the advancement of social policies. The relative strength of the state in comparison with transnational capital and recognition of interactions between other players, are allowing for diversity and diffusion. Other voices, especially the people's voices, are increasingly being heard. This is where globalization can promote an alternative legitimation of developmental reform, based on common adoption of social rights and more importantly on the citizens' needs.

In summary, arguments made above support the proposition that the effects of globalization on states are likely to be differentiated by the country's place in the international political economy and by the politics of power balance within the country. It argues that economic and social policies are shaped by state-economy relations as well as state-society relations, and importantly by the power relations existing not only between states and international organizations but within the country. Work on the relationship between globalization and state welfare has to be seen in the context of the overall economy, the effects of earlier social policy, as well as conditions and capacity for effective state intervention. It is along this line of thinking that this research analyzes the context of developmental welfare change in Thailand. The next section begins with the Thai developmental state and the 1997 financial crisis.

2.5 The Developmental State and the 1997 Financial Crisis

Following the financial crisis of 1997, there has been some attention in the role that the developmental state could play in promoting economic and social welfare more generally as opposed to an exclusive preoccupation with industrialisation and industrial policy. The financial crisis showed that Asian states were not able to depend on the sole strategy of emphasizing economic growth. By economic growth, citizens were not protected against the adverse impact of the economic downturn. Particularly, without any automatic stabilizer, i.e. income protection, citizens experienced the harsh hit of the crisis, leading to the questionable legitimacy of the Asian state's regime. Furthermore, the economic slowdown led to a fall in the demand for labour, resulting in increased unemployment. Agricultural production also declined, meaning less employment absorption of the sector in most developing countries (John, 2002). Meanwhile, those who retained their jobs experienced declined real income because of inflation and the devalued regional currencies (Pongsapich & Leechanawanichpan, 2002).

Before and during the crisis, Pongsapich and Leechanawanichpan (2002) found that social insurance programmes for industrial workers and social benefits entitlement for state personnel constituted most of the welfare spending by the Thai state prior to the crisis. With the system focusing more on the formal sector only before the crisis, the informal sectors, constituting those who were self-employed and family workers, were not covered by social insurance and many did not have access to social assistance schemes (John, 2002: 12). As a result, the precedence of economic goals and development had not reflected social protection system for the whole population of the country.

From the condition mentioned above, there was a need for the developmental state to change and stop reinforcing socioeconomic inequalities by covering social policy programmes among wage earners in large-scale businesses and state sector employees. Also, in between the forces of the structural adjustment policies and the IMF and the World Bank, the economic crisis fostered increasing demand for public participation in public decision, especially in the role of the state in social protection. Herein, Esping-Andersen (1996) and Pierson (1996b) assert that 'national politics matter' and that national systems can and do respond in different ways to dilemmas of globalization. Here, change in the developmental state provision depended on public alliances and the need for the Thai government to consider electoral effects of its policies. This argument raises consciousness that change in developmental state provision could not be seen only as a reflex to global economic pressures, i.e., international organizations' influence and the financial crisis. Rather, both political and institutional arrangements in each country, and the impact of the 1997 crisis, affect change. Also, tendencies seen in context of domestic conditions shaping social welfare could not disregard other players such firms, non-governmental organizations, and social citizens who place pressures of accountability on policy outcomes. For this reason, it remains the case that identification of different trajectories of social policy development continues to add to our understanding of the changes in developmental state as they occur within the dynamic and the realities of today's world.

2.6 Conclusion

From the different assertions made above, the global environment impinges on social policy in various ways. It can set limits or it can facilitate the design and implementation of social policies through provision of different resources, i.e., ideas and traditions. This study forwards the position that economic pressures provoke differential responses upon states. The impact of the financial crisis differs according to the degree of embeddedness of institutions. The crisis has to be understood in relation to the countervailing influence of the domestic aspects such as those mentioned above regarding the range and balance between different measures of social protection. Impacts of globalization require the state to adapt its role, but it is critical that globalization is seen not *only* as the as the main instigator of change. Internal politics as well as power relation pay crucial roles in determining the countries policy track. For all these reasons, this research regards it valuable to consider both international and national factors in the explanation approach of social policy development in the region.

Chapter 3

Theory and Methods

This research analyses the changes that took place in the developmental state in Thailand during the period following the 1997 Asian Financial crisis from the combined perspectives of historical institutionalism and the particular view which considers ideas and the struggle over ideas as important variables of change in institutional analysis. It applied qualitative methods, including documentary analysis and in-depth interviews, to investigate the substantive content of change of Thailand's developmental welfare and the relationship between government, market and local producers in the developmental context. This chapter provides the rationale for the methodology adopted, discusses the research design and implementation, and outlines the modes of data analysis employed. It begins with a discussion of the important theories in conceptualizing change, and then follows with a reminder of the research objectives and questions, as a necessary basis for establishing the reliability and the validity of the research design.

3.1 Conceptualizing 'Change'

Path-shifting reforms and the use of different policies by national governments indicate differentiation both in terms of responses to globalization as well as the forms that globalization may take for countries. In looking at the concept of change and continuity, there are various ways to distinguish from where and what basis change and continuity stems from. Bruno Palier (2000) for example notes that distinction in change and continuity may be found in the mode of provision, for example, how social provision is accessed (i.e., via universalism, employment related, earnings related, etc.) or via finance (i.e., privatization or state provision), or by actors (i.e. private sector, state, volunteer or informal sector). Also, states can employ different methods of cost containment, recommodification, or recalibration in adapting and modifying policy. An example would be a pension system which is adjusted to accommodate more female workers. In addition, it is important to note the level in which change occurs. Ku and Finer (2007) consider change as taking place in the 'system' or the 'institutional format' rather than in the regime shift.[31] Furthermore, Peter Hall (1993) provides an important contribution to institutional analysis by delineating three orders of change. The first order of change involves the levels (or settings) of the basic instruments of the policy; the second order of change pertains to the instruments; and the third order of change prescribes to the hierarchy of goals behind the policy (Hall, 1993: 279).

Table 3.1: Peter Hall's Order of Change

Types	Changes	Implications	Examples
1st order	Setting	Policy level/ environment	Changes in the level at which benefits are set
2nd order	Instruments	Policy change	Changes from public to private insurance
3rd order	Goals behind policies / Ideas and standards	Paradigm shifts	Changes from Keynesiam to Monetarism in the UK during the 1970s and 1980s.

Source: Peter Hall (1993)

Hereby, Hall (1993) makes an important speculation that first and second order changes are often associated with "normal policymaking," in which a policy is adjusted without challenging the overall terms of a given policy paradigm. Third order change, however, is

[31] In their review article, Ku and Finer (2007) distinguish between welfare *policy*, welfare *system*, and welfare *regime*. Among these three, *system* is presumed to be the level at which the divergence of productivist welfare states takes place depending on socioeconomic circumstances. For the lowest level, the term *policy* signifies the processes of governmental decision-making in single welfare domains such as healthcare, work injury benefits, social assistance, and social services. Second, the concept of *regime* implies a complex of legal and organization features that are systematically interwoven by a consistent and deep-rooted principle. Welfare *regime* highlights a historical legacy deeply embedded in relations between the state and economy with regard to production, distribution, and redistribution. Thus, regime type is not easily changed in the face of internal and external challenges. Third, as the middle level between policy and regime, *system* is used to signify an 'institutional format' in which each single welfare policies are systematically implemented to embody the underlying principle of welfare *regime*.

marked by radical changes in the overarching terms of policy discourse linked to a "paradigm shift" (Hall, 1993: 279). An important implication that Hall (1993) points to is that first and second order changes in policy do not necessarily lead to third order changes. Hall (1993) asserts that "if first and second order changes preserve the broad continuities usually found in patterns of policy, third order change is often a more disjunctive process associated with periodic discontinuities in policy" (Hall, 1993: 279).

Notwithstanding the features of change, the question of change over time is a significant one. In a study which takes into consideration the evolving nature and practice of the developmental state in Asia, how change happens and whether the change is a shift at the margin or a significant transformation are important issues that need to be addressed. The following section looks at the main facets of the analytical frameworks, the strengths and weaknesses surrounding the approaches, and it provides justification in applying the combined frameworks for this research in understanding how change happens.

3.2 Historical Institutionalism

Historical institutionalism is an approach that underlines the structuring feature of institutions in the explanation of politics and policy outcome. Institutions are seen to provide the context in which political actors define their strategies and pursue their goals and interests (Thelen, 1999). History explains the fact that the goals and interests of actors and their strategies are politically and socially constructed over time (Steinmo and Thelen, 1992: 7-8). By this approach, policy outcomes of the developmental context, is explained as a product of institutional setting by which strategies, goals, and interests of social actors are in alignment or in constraints with each other (Thelen, 1999).

Early notions of historical institutionalism can be traced back to the works during late 1970s of Theda Skocpol (1979) Peter Katzenstein (1978), and Stephen Krasner (1980). Subsequent works that followed in the same line include Peter Hall's (1986) explanation of the different trajectories of British and French political economic development, Peter Katzenstein's (1985) account of economic openness of small states and strong welfare states, and Paul Pierson's (1994) work on welfare state policies of the United States and Britain.

According to historical institutionalism, 'institutions' are normative constructs consisting of formal and informal rules, norms, compliance and enforcement procedures, and a common normative and ideological structure (Thelen, 1999). The basic tenet is that institutions shape individual preferences by structuring incentives, redistributing power, and by influencing the cultural context (Thelen, 1999). Historical institutionalism investigates the sources of actor interests and the workings of institutions and has generated powerful insights into how the institutional context structures, not just interests, but also behavior. The analytical precision here is the importance of political actors' interpretations, not only of their own interests and preferences, but of their identities, beliefs and capacities, thus shedding light on the foundational idea that institutions affect the politicization of interests (Immurget and Anderson, 2008). By the interactions between preferences, interests and institutions, conflicts between collective actors are structured and mediated by institutions, but ultimately resolved by the presence of asymmetric power relations (Immurget and Anderson, 2008). This is how historical institutionalism helps explain why one policy is chosen rather than another, accounting possibly for differences in cross-national political outcomes.

3.2.1 Historical Institutionalism and the Principal Approaches of Change

Within historical institutionalism, several concepts have been suggested in understanding change. One of them is *punctuated equilibrium* (Baumgartner and Jones, 1993). The punctuated equilibrium model of policy change suggests that institutions exist in an extended period of stasis, which is punctuated by sudden shifts in radical change (Baumgartner and Jones, 1993). According to this model, the stasis period of policy involves only incremental changes because of restraints from institutional cultures, vested interests, or bounded rationality of decision makers (Krasner, 1984). Punctuated equilibria are therefore thought to be triggered or caused by exogenous shocks.

Another important concept in historical institutionalism is that of *path dependency* (Pierson, 1994). It provides the tool to analyze the temporal context, i.e., how events unfold differently in different historical contexts. Primarily, under path dependency, decision at one point in time constrains options at a later date (Hall and Taylor 1996; Steinmo et al. 1992; Thelen 1999). Work on path dependence often explains the legacy and persistence of particular institutional pattern (Mahoney and Thelen, 2010: 6). Discernible process of path dependency involves the critical juncture framework (Collier and Collier, 1991), in which antecedent conditions define and delimit agency. According to the framework, it is difficult to reverse institutional development and consolidation because contingent choices have already set specific trajectory (Collier and Collier, 1991). In other words, the past affects the present, and the strategic choices made at a particular moment remove the ranges of possibilities from later choices (Tilly, 1994).

3.2.2 Controversies in Historical Institutionalism

Discussion of the strengths and weaknesses of historical institutionalism has been tied to the explanation concerning the formation and change of institutions. One of the strengths of historical institutionalism, as shown in the previous section, is the focus on the sequences in development and the phases of political change as part of the explanation for the origins and development of institutional structure (Schmidt, 2005). However, the emphasis on path dependencies and unintended consequences that result from historical development is constructive yet problematic at the same time because it assumes that rationality exists as long as institutions are the intended consequences of actors' choices (Schmidt, 2005). Nonetheless, this is often not the case because of unpredictable intervening events.

Fundamentally, the logic of path dependency is historically deterministic. Despite studies on 'critical junctures' (Capoccia and Kelemen, 2007) and 'configurative' moments (Gourevitch 1986; Collier 1991) or 'punctuated equilibrium' (Krasner 1988), it is still difficult to explain the causes of crisis that influence change. Here, Colin Hay (2006) notes that historical institutionalism is not capable of offering an explanation of the endogenous account which determines the punctuated equilibria. In this, historical institutionalists mostly turn to analyses that add what Peter Hall and Rosemary Taylor (1996: 940-1) term either a 'calculus' approach or a 'culture' approach. However, the calculus and cultural logics are all dependent on rational choice. In this, Steinmo and Thelen (1992) assert that actors cannot be assumed to have immutable preferences and to be in possession of perfect information. Thelen (1999) also points out that interests are contextual and not universally defined and cautions that historical determinism in path dependent frameworks neglects possible renegotiation of institutional configurations and purposes.

Another criticism of historical institutionalism is that change is assumed to only take place by large exogenous shocks (such as a financial crisis) with stasis in between. Therefore the framework cannot account for incremental changes that are transformative (Streeck and Thelen, 2005). Here, Thelen (2003, 2004), Hacker (2004), and Crouch and Farrell (2004), have argued that the path dependence model overstates the degree of stability in political institutions. In advancing their own explanations for institutional development, focus is given to new mechanisms of institutional change, which are distinct from the increasing returns to scale that drive traditional models of path dependence (Thelen, 2003, 2004; Hacker, 2004). Recent work by Thelen (2004) and Streeck & Thelen (2005) capture new ways of thinking about institutional change. It takes a different view by examining the kinds of long-term processes of institutional development; more emphasis is placed on political processes in accounting for both stability and change. Their central claim is that much transformative institutional change takes place gradually, so attention should be given to how the processes unfold (Streeck and Thelen, 2005). Streeck and Thelen (2005) constructed a typology of institutional change which includes: displacement, layering, drift, conversion, and exhaustion.

The details of Streeck and Thelen's typology are as follows: By 'displacement', former arrangements are pushed aside in favour of new institutions (Streeck and Thelen, 2005: 20). Shifts can occur through the rediscovery or activation of previously suspended possibilities (Streeck and Thelen, 2005: 20-22). At another level, 'layering' involves the introduction of a new policy and/or new instrument or the change in the setting of an instrument at the margin while leaving existing stock unchanged. Over time, the change becomes dominant because the old one withers away (Streeck and Thelen, 2005: 23). Streeck and Thelen suggest that layering can be explained by 'differential growth' through which path-altering dynamics are set in motion (Streeck and Thelen, 2005: 23). They give an example of political actors introducing amendments or revisions to existing institutions (Streeck and Thelen, 2005: 23). By policy 'drift', institutions fail to keep up with the shifting contextual conditions such as the changing profiles of social risk (Streeck and Thelen, 2005: 25). Drift can also happen by the nondecision of policymakers (Streeck and Thelen, 2005: 25). As such, institutions need to be 're-set and re-focused' in response to changes in the political and economic environment (Streeck and Thelen, 2005: 24). Meanwhile, in 'conversion', institutions are redirected to new goals, functions or purposes. Such redirection may come about as a result of new environmental challenges, to which policy makers respond by deploying existing institutional resources to new ends. Alternatively, conversion can come about through changes in power relations (Streeck and Thelen, 2005: 28). Finally, by 'exhaustion', institutions break down rather than change (Streek and Thelen, 2005: 29).

Streeck and Thelen's typology of institutional change is a step forward for historical institutionalism because it provides conceptual tools for analysing and categorizing different types of institutional change. The framework is important for this research because these concepts apply to changes in Thailand's social protection. For example, Jacob Hacker's (2005) notion of drift is pertinent in the context of Asian developmental state that do not play an interventionist role in social protection despite changes that happen in that direction. Here, drift provides 'a revealing example of the less visible, but no less consequential forms of institutional change that occur without apparent changes in the policy structure' (Hacker, 2005: 45). Drift is arguably likely to happen because there is no machinery of involvement and tradition of intervention in social protection to tackle the issues that arise. Instances of other types of institutional change from Streek and Thelen's (2005) typology are further explored in the study.

3.3 Ideas and Institutionalism

Historical institutionalists have already gone beyond the historical determinism of path dependence and the ahistorical stasis of the punctuated equilibrium model to describe incremental change. However, in understanding change, the explanation remains stuck on strategic action, given conjectures about fixed preferences and stable institutional structures as incentives (Schmidt, 2008). Also, the historical institutionalism approach does not regard ideas as causal factors in their own right (Blyth, 2002). Here, emphasis on the role of ideas as influencing change is instructive.

Bringing ideas and discourse into the explanation of institutional change has a number of benefits. It provides sensitivity to key moments of change and to the conditions of complex institutional change (Hay, 2006). Also, by focusing on the substantive content of ideas and the interactive processes of discourse, the framework helps explain the reframing of strategic action as well as the reshaping of institutional practices (Schmidt 2002, 2006; Campbell 2001 and 2004).

Hay (2006) contends that ideas are important precisely because they give content to interests,[32] reduce uncertainty, and make institution construction possible. In the area of social policy, ideas determine motives and norms for policy measures (i.e., policies that take on aspects of social rights or social privileges) (UNRISD, 2005). Also, ideas determine the weights attached to various costs and benefits of social interventions, that underpin the moral entitlements of individuals to social support, and that shape the purpose of social policy to empower citizens or to pacify them (UNRISD, 2006).

[32] Interests must be defined in terms of the ideas agents themselves have about the causes of the uncertainty they are facing (Hay, 2006).

Hay (2006) points out that by giving attention to ideas, institutions are more than just the incentive structures of rational choice institutionalism. They have qualities of their own, as regularized practices and rules, and complexities due to their interaction effects (Schmidt, 2008). Also, actors are also not defined by their institutions, as in traditional historical institutionalism, because they have knowledge outside the institutions in which they operate. Importantly, actors' interests are not 'objective', but they are perceived as interests, while deliberation and reinterpretation are part of the processes of change (Thelen, 2004). Moreover, once preferences are seen as 'subjective', this leaves the way open to considering the role of ideas in helping to change actors' preferences and discourse in the process of deliberation and reinterpretation of institutions (Thelen, 2004). Here, the question of how to explain as opposed to describe the dynamics of change can be addressed. Also, while institutional change is understood as interaction between strategic conduct and the strategic context within which it is conceived (Hay, 2006), it is not just institutions, but the very ideas on which they are predicated that exert constraints on political condition, thus leading to consequences which are both intended and unintended.

Blyth (2002) has provided an influential analysis with an application of the role of ideas. He probes for explanation as to how agents redesign and rebuild institutional orders and the conditions under which these activities take place (Blyth, 2002). In the wider context, this was an exercise in demonstrating the causal and constitutive role of ideas in shaping the developmental trajectories of advanced capitalist economies (Hay, 2006). In this analysis, Blyth (2002) focuses on the centrality of ideational contestation for understanding institutional change. He provides the explanation for how ideas were used by agents to diagnose uncertainty and construct specific institutional solutions. Blyth (2002) sees institutional change as following a temporal sequence. Through this sequence, ideas have different causal effects in different time periods. Blyth's argument support ideas as causal variables in their own right. Ideas can have effects independent of the agents who originally deployed them. The adoption of new ideas can lead to path dependence, as well as to the policy innovation. If path dependency occurs, Blyth (2002) argues that it is a function of cognitive locking and is thus an *ideational* rather than an institutional phenomenon.

It must be noted that in Blyth's (2002) analysis, attention was also given to moments of economic crisis, in which one policy paradigm is replaced by another. Hence, the relevance of his analysis to this research study on the 1997 Asian financial crisis. For Blyth (2002:31), crises are viewed as moments of 'Knightian uncertainty' in which actors' perceptions of their own self- interest become problematized. He asserts that it is in periods of economic crisis that ideas reduce uncertainty (Blyth, 2002). It is here that agents struggle to provide compelling and convincing diagnoses of the old regime/policy paradigm and the reforms appropriate to the resolution of the crisis. Following uncertainty reduction, Blyth (2002) notes that ideas make collective action and collection building possible. He claims that ideas are weapons in the struggle over existing institutions. Furthermore, new ideas act as institutional blueprints following the delegitimation of existing institutions. Also, ideas make institutional stability possible following institutional construction (Blyth, 2002).

Indeed, Blyth's (2002) analysis provides an explanation of idea propelling change, but it also shows how idea is being used. Nonetheless, Blyth's focus on crisis moment prevents him from providing an explanation as to how change happens when there is no crisis, or whether there are different levels of change that could be expected. Also, questions are raised if the role that ideas play prominently in only certain kind of crisis such as an economic crisis. In other words, is the transformative power of ideas dependent on the issue, for example, are ideas as influential when it comes to climate change problem. In addition, Colin Hay (2006) provides a critique of Blyth's mix of ideas and interests, and ideas as being a social construct. For Hay (2006), these formulations are mutually exclusive, i.e., interests are either social constructs or given by material circumstances, they cannot be both. In this, Hay (2006) claims that the analysis about the origins of interests and of systems of ideas is still unclear. All these gaps points to the fact that the understanding of the role of ideas is still a work in progress, and therefore the need for this research to consider both its strengths and weaknesses.

Notwithstanding the important role of ideas as part of institutional change, one must also not forget that there are other factors which influence policy change. As Richardson (2000) argues, in practice 'ideas, institutions and interests become entwined' (Richardson, 2000: 119). The point here is that ideational analysis has considerable value, but only if it is paired with a consideration of the institutions and policy environment that frame ideas in each specific policy arena. For this reason, there is much merit in adopting a multi framework approach that encourages analysis in the combined manner.

3.4 The Application of the Analytical Frameworks in this Research

Given the strengths and weaknesses of the analytical frameworks described above, the approach taken in this study was not limited to a single variable explanation. It considered the combined effect of various explanations for change and therefore it made use of both the historical institutionalism approach and the role of ideas. This follows from Immergut and Anderson's (2008) acute point that accepting the limits of explanation does not have to mean abandoning all ambition of providing an explanation. Rather the key parameter is the research design. The following section therefore discusses the complementarities of the approaches and what the research aimed to achieve in applying the frameworks.

In applying historical institutionalism, the institutionalized policy legacies helped explain the path of developmental welfare in Thailand. Specifically, historical institutionalism is exemplified under the study of the 1997 Asian financial crisis, in which political contestation and compromise took place. It also helped explain the differences in the policy agenda of the One Tambon One Product (OTOP) policy in Thailand. Historical institutionalism helped deconstruct how political development affects the workings of developmental welfarism as found in the Thai context. Here, historical institutionalism's strength lay in its attention to historical contingency and contextual causality (Hay and Wincott, 1998). Accordingly, the causal workings of institutions depended upon their historic contexts, which included the interpretations that political actors bring to institutions (Immurget and Anderson, 2008). Since historical institutionalism contextualizes agency both historically and institutionally, the research was able to include analysis of tradition and public preferences for the OTOP context.

Apart from the historical institutional model, the research employed an approach to identify the ideas that influenced policy change. In examining ideas as an explanation for change, the approach helped deconstruct crucial mechanisms of path dependency, i.e., which ideas influenced path dependencies. The approach thus helped to understand how ideas shaped the debate that took place surrounding Thailand's developmental policy. In particular, in applying the role of ideas, the study was able to draw attention to the role of the developmental state and business in proselytising and sponsoring new and/or alternative economic theories and in setting the discursive parameters within which influential narratives were framed following the 1997 Asian financial crisis.

The role of ideas was also important in this research because it covered a crisis situation. Note that similar to Blyth's (2002) account of Polanyi's great transformation, in circumstances of a crisis, there is a battle for idea and for measures of how to respond to the crisis situation.[33] In this research, the competing discourses under discussion were between the liberal economic ideas and domestic developmental conception. The idea for this thesis was to question if the 1997 Asian financial crisis created an ideational shift in favour of one conception over the other. Ultimately, did the crisis create a new trajectory or did it change the direction of the developmental path – was it a readjustment or a complete redesign of institutions? Also, remaining with the focus on discourse and ideas, the thesis probed into the specifics of the One Tambon One Product (OTOP) policy, which served as a case study for developmental policy. It identified the ideas of politicians, major business groups, local producers, and community developers, and it considered how the problems of unemployment and lack of income support were defined by various stakeholders of the policy.

In summary, this study advocates a closer synthesis of perspectives centred around ideas, interests and institutions in order to further the understanding of the processes of policy change. Rather than looking to stress the difference by adopting an extreme position with historical institutionalists, this thesis was able to advance a serious discussion of the impact of ideas on policy change by looking for potential synergies between different perspectives.

[33] In the UK, Hall (1993) also notes that the change from Keynesian thinking to Monetarism illustrates this point. The rise of monetarism corresponds with the decline of Keynesian economics, which at the time seemed unable to explain the seemingly contradictory problems of rising unemployment and inflation during the weakening of the Bretton Woods system in 1972 and the oil shocks of 1973 (Friedman 1970 as cited in Hall 1993). The result was an emergence of liberal ideas and a resurgence of neoliberalism, which helped produce a paradigm shift (Hall, 1993).

While Colin Hay (2006: 62) may insist upon the divisiveness of the approaches, it can be seen that the difference between concepts is really regarded as one of emphasis for this research. This follows from Steinmo and Thelen's (1992: 62) suggestion that the approach predicates upon the dynamic interplay of structure and agent and material and ideational factors. For this reason, the different emphases are better viewed as complementary perspectives rather than competing ones.

3.5 Methodology

3.5.1 Research Questions and Objectives

It follows from the discussion in the previous section that institutions do not exist independently of ideas but are socially constructed, and changes may be accompanied by institutional shifts that are incremental and transformative. As such, the main aim of this study was to analyse developmental welfarism and consider whether the 1997 Asian financial crisis created a shift of the developmental path in Thailand. The thesis focuses on the ten years period following the Asian financial crisis of 1997.

From the 1997 financial crisis, Asian states were not able to depend on the sole strategy of emphasizing economic growth, which left citizens unprotected against the adverse impact of the economic downturn. With the system focusing on the formal sector only, the informal sectors, constituting those who were self-employed and family workers, were neither covered by social insurance and many did not have access to social assistance schemes (John, 2002: 12). As a result, the precedence of economic goals had not reflected social protection system for the whole population of the country. The adverse effect of the crisis prompted the Thai government to take a turn in the course of its developmental path, by considering those that were not protected in the previous social protection arrangement, i.e., the rural economy and the informal sector. This change in the goal of economic policy helped to make the developmental state more inclusive. Along this ground, a case study of the One Tambon One Product (OTOP)[34] programme is examined to consider whether the policy is consistent with this shifted objective of the country's developmental path, given that the scheme was adopted precisely to benefit certain groups that were not significant beneficiaries of the approach taken before and during the financial crisis.

While this thesis treats the OTOP policy as a case study rooted in the specific developmental context of Thailand,[35] the primary focus is on the continuity and change of developmental welfarism. Precisely, the main research question for the thesis is:

> To what extent did the post 1997 crisis policy on social protection in Thailand represent a shift from its existing institutional[36] path of developmental welfarism?

Extending from this overarching question are subsidiary questions, which guided the thesis. They include: To what extent did the OTOP policy address the social protection gaps that became apparent in the Asian financial crisis? To what extent did the OTOP policy benefit its target population? The research questions take into consideration the evolving nature of the concept and practice of the developmental state, and the question of change over time, specifically, whether the change was a shift at the margin or a significant transformation.

[34] Tambon is equivalent to the only administrative unit below districts, which is essentially found in rural areas.
[35] The OTOP policy is a market-driven social policy that was introduced during the Thai Rak Thai (TRT) government to address the problems of unemployment and underemployment as well as the lack of income support during the economic contraction period by encouraging local production (National OTOP Administrative Committee, 2003).
[36] 'Institution' here follows Hall's description as "the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy" (Hall, 1986: 19).

Furthermore, the questions guided the study in the direction of policy change during the Thai Rak Thai (TRT) government with regard to policy selection and design. In using OTOP as a case study, the study does not attempt to evaluate the OTOP policy, but it aimed to uncover the evolution of the OTOP policy instrument. The study began with the policy origin, examining the important distinction of why the policy was adopted from Japan and not the continuation of the neoliberal policies of the IMF and World Bank following the financial crisis. Also, the selection of the OTOP policy, when linked to the developmental paradigm of Thailand, revealed strategic objectives and conceptual framework of the developmental welfarism pursued by the TRT government. Here, the thesis examined OTOP's stated objectives of income support and community development in parallel to actual policy implementation. The assumption was that there were variations in policy reception and adaptation, and how these constructions were likely to orientate to different expectation of policy responses for different stakeholders. Such differences exposed the key to the content and nature of change of the Thai policy context.

3.5.2 Qualitative Research Methodology

Social research methodology is often categorized into quantitative and qualitative methods that are based on contrasting philosophical positions and constitute distinct research paradigms. In this study, I employed the qualitative research method. Qualitative research is located within the interpretivist paradigm, which affirms a relativist perspective that sees realities existing in the form of multiple mental constructions based on differential socialization and experiences. The construction of realities is an outcome of interaction between active subjects and the world (Giddens, 1976). Interpretivism argues that the social world can only be understood through the perspectives of individuals involved in ongoing activities and relationships. Interpretivists align with an epistemological position of subjectivity, regarding knowledge as a human construct. Qualitative research is thus for the purpose of explaining and understanding social relationships and events through the direct experiences and interpretation of individuals (Sarantakos, 1998; Cohen, et al, 2000).

By applying the qualitative technique, this study is designed to yield appropriate and sufficient data that would allow the research questions mentioned above to be answered appropriately. The study demanded: (1) explanatory data and perspectives on the different aspects of developmental welfare and its linkage to policy in the Thai context during the period following the Asian financial crisis of 1997; (2) in-depth information from the different stakeholders, i.e., policy makers, local producers, business owners on their perspectives on the OTOP policy and the linkages between the state and the market in uncovering institutional dynamics.

In order to meet the data required above, two qualitative methods were chosen for this research: documentary analysis and individual interviews. Documentary analysis was used to cover the data as found in the social setting. The method is particularly appropriate in uncovering the historical account of this study where direct observation or questioning is not possible given past timing of the bounded period following the 1997 Asian financial crisis (Hammersley and Atkinson, 1995). Thus, in order to answer the main research question, the study used documentary analysis to uncover data regarding the institutional effects of developmental welfare in Asia and in Thailand following the Asian financial crisis. Specifically, the researcher collected secondary data about developmental welfare and the OTOP policy in Thailand from appropriate government agencies, non-government institutions and universities. Official policy paper, documents, and statistics published by the government and the private sector constituted the documentary data. Also, the study critically examined mass media sources such as national newspaper and websites.

Documentary analysis is suited for this study, which gives importance to the roles of ideas and interests in the discursive analytical framework. The documents were the sources that provided insights into the ideas that were being debated, including clues as to how political actors, producers, and other agents expressed their interests and pressured for change. By examining how ideas had different effects at different junctures, and how contestation took place as to what should be done and by whom, the study on ideational change was carried out.

Moving on to the next qualitative technique, the research adopted an interpretivist and a constructivist approach, comprising in-depth interviews, to further investigate related issues, experiences and opinions on the OTOP policy. This approach was used to extract meanings and detailed perspectives in order to attain generated data (Ritchie, 2003). Interviews were based on a small sample, in which each situation was considered unique and non-predictive. A total of 51 interviewees were included for this study. They consisted of:

- 8 government officials, a representation from main government units involved with OTOP;
- 28 producers that are part of OTOP, representational of the different star product categories;
- 6 producers that are not part of OTOP;
- 9 external specialists, drawn from advisors of National Economic and Social Plans, advisors to the government, member of National Social and Economic Advisory

Council of Thailand, policy advisors, domestic business representatives, and developmental non-governmental organizations.

The qualitative sample size was considered small as compared to a quantitative study because the emphasis was on the depth and richness of the data and not on the statistical inference or significance of the data set. From the interviews, the study included the positions of policy makers and policy recipients to outline the contested and complementary views of how the interviewees defined the social problem and what the expected solutions were perceived to be. Thus, in-depth interviews were held with government officers, producers, business owners and NGOs in order to obtain primary data sources. Emphasis of the interviews varied according to the types of interviewees (as found in the topic guides in the appendix).

3.5.3 Population and the Sample Study

The data was obtained from interviews with four major groups who partook in the developmental discourse and the OTOP policy: Thai government officials, producer groups that are part of OTOP and that are not part of OTOP, and development experts including policy analysts and non-governmental organizations.

1) Government sector: Several ministries were involved in the implementation of the OTOP policy. These included the National Economic and Social Development Board (NESDB), Ministry of Labour and Social Welfare (MOL), Ministry of Industry (MOI), Department of Community Development (under the Ministry of Interior), and Prime Minister’s Office. Interviews were arranged with government officials of these units. Access during OTOP fairs was particularly helpful in meeting the officials who worked directly with the OTOP programme.

2) OTOP producers: Producers were divided to different star categories, ranging from 1 to 5 stars with 5 stars being the most developed products and business.[37] It is in this variation that the research tried to include producers from all star categories. The sample thus took on a *stratified purposive sampling* approach (Ritchie et al, 2003) in which there was variation in the group but all have a homogenous feature of belonging to the OTOP programme. However, it must be mentioned that the OTOP producer group was not limited to only those participating in the official OTOP fairs, but also those who participated in the private market because the research wanted to capture the varied experience the producers had with the public sector. In addition, producers of OTOP were divided into the following product categories: clothing, food, beverage, accessories and decorative products, and herbal products that were not considered medicinal. Different lines of products posed different production problems for the producers. It was useful to include different types of producers during the interview to learn about the general situation and achieve a balanced sample. The diversity in the boundary of this defined group optimized the opportunity to identify any contributory factor which influenced the participatory dimension of OTOP.

3) Non OTOP producers: This group included producers who were not part of the OTOP programme. It was important to include this group in order to address the issue being researched, which involved advantages and disadvantages of those not participating in the OTOP programme. These producers were found in fair trade events and exhibitions that were not classified as OTOP fairs.

4) External specialists: Independent sources who were key informants of policy planning such as advisors to the National Economic and Social Plans, policy advisors working in development issues, and specialists from both public and private institutes were the target of this group.

[37] Detail on the star system is further elaborated in Chapter Five.

3.5.4 The Sampling Technique

To ensure a cross-section of producers that represented the field, the sample for this study was obtained through a purposive sampling technique where producers were selected because they had been in business for at least five years in order to be able to comment about the variation of government influence during the OTOP operation.

The point of contact with producers through OTOP fairs and government organizations helped with identifying the sample frame and gathering the sample group. However, there was potential for bias when the producers were linked to the government. Therefore, it was particularly important to stress the need for diversity in the sample and to include producers who were not in contact with government organizations in order to fulfill the research objectives and to promote the generalization of the research findings.

In terms of the generalization of this study, there were inevitable limitations for qualitative research. For example, the selection of the OTOP producers in this thesis did not necessarily reflect situation of specific industries. Nonetheless, this limitation did not undermine the reliability and validity of the sample case. As noted by Yin (2003) and Lewis (2003), generalization of results of case studies are intended to support theory or it is meant to be inferential by drawing the findings to other settings, and is not necessarily representative of the population. In this study, the results were not used to demonstrate a representative picture of a particular industry but were aimed to understand the policy context and developmental welfarism in Thailand. Moreover, the focus on actual producers of the different industries met the aim of this study, which was to explore the operating principles and practices of OTOP and its implication towards developmental welfare in Thailand. The value of this research thus lay in its ability to explore the issues in depth from the perspectives of different participants, and develop explanations and meanings inductively from the data.

3.5.5 In-depth Interviews

In conducted in-depth interviews, the researcher developed four sets of interview guides and questions; one for government officials involved in the OTOP policy; one for producer groups involved in the OTOP programme; one for producer groups not involved in the OTOP programme; and one for experts from both public and private institutions. The study divided producers into two groups of interviewees because two different interests were examined. The producers that were part of the OTOP programme were interviewed with emphasis upon the producer's involvement in the OTOP process and condition of the public sector support, while producers that were not part of the OTOP programme were interviewed on their rationale for not participating in the programme and their comments on the general OTOP role and activities as a nonparticipant. Little has been documented about this group and it is hypothesized that their views would add to the analysis which used Schneider and Ingram's (1993) 'social construction of target population' framework (discussed in Chapter Six). In general, the questions covered institutional effects on behaviours, norms and strategies, which were influenced by changes in the national arrangement of social protection and developmental policy.

In preparing for the topic guide, the researcher went through two stages of the questionnaires' development in order to obtain related information and perspectives on the dynamics of developmental welfare and the functional equivalent. First, I requested for the interview guide to be reviewed by my thesis supervisor in order to assess its content validity.

Responses were used to refine the interview guide. Then, the researcher conducted pilot interviews of the modified instrument before real interviews were carried out.

The face-to-face semi-structured interviews were carried out mainly in Bangkok (at OTOP fairs, fair trade exhibitions, and government offices) during Michaelmas 2009 – Trinity 2010. Prior to this, the researcher contacted potential interviewees (i.e. governmental officials, policy advisors, fair organizers, etc.) and described to them the purpose of the interviews. After the interviewees agreed with the interview time and date, the researcher sent a confirmation letter and a list of general topics to be covered. Consequently, the researcher used the interview guide to provide some structure to the interviews.

3.6 Data Processing

Data from in-depth interviews was transcribed and analyzed by concentrating on the inferences to developmental welfarism and the interpretation of the OTOP policy among government officials, local producers, and other key informants. Data from the interviews were aimed to elaborate on the topic from the literature review and in particular, to explain the ‘how’ and ‘why’ factors influencing a potential shift in the institutional path of developmental welfarism and the specifics of the OTOP policy. The researcher coded the interviews according to themes deemed important. Content analysis (Spencer, 2003: 200) was applied in which both the content and the context of the interviews were analyzed. Analysis of the themes was linked to the role of the contributor. The study used cross-sectional codes to develop a systematic overview of the scope of the data and to help with making comparisons and connections with the data (Spencer, 2003: 203).

3.6.1 Qualitative Content Analysis

Under the different approaches of qualitative content analysis, this research adopted *directed content analysis* as reviewed by Hsieh and Shannon (2005)[38], in which initial coding began with the research hypothesis that linked to incremental institutional changes. During the data analysis, several rounds of coding took place. In the initial coding process, the researcher was able to identify evidences of changes as found in abstraction (or ideas) and implication of positive and negative experiences regarding OTOP. Subsequent coding led to comparisons of interview transcripts and perceptual positions of different groups of informants. A recurring theme emerged which confirmed evidences of incremental institutional changes of OTOP, especially of emergent risks associated with '*drift*' (Hacker, 2004, 2005). In the third round of coding, additional theme of '*conversion*' (Streeck and Thelen, 2005) emerged. Analysis of factors underlying conversion, i.e. policy beneficiaries' interests, resulted in the application of the *social construction of target population model* (SCTP) (Schneider and Ingram, 1993) for OTOP, which is documented in Chapter Six. It is important to note that Schneider and Ingram's SCTP did not follow the primary sampling criterion of the thesis which included a purposive sampling of government officials, OTOP producers, non-OTOP producers and development specialists.

Through the different rounds of coding, the researcher was aware of maintaining *reliability* (Lincoln and Guber, 1985) of content analysis by being consistent with the coding process. Each coding session considered the application of coding in light of previous analysis. Additional interpretation and coding, which tracked the development of analysis with annotations for decisions made during research, were recorded in the project file backups for

[38] Apart from *directed content analysis,* Hsieh and Shannon (2005) describes two other kinds of content analysis: (1) *conventional content analysis,* in which coding categories are derived inductively from the raw data and which supports the grounded theory approach; (2) *summative content analysis* starts by the counting of words, which later extends to themes or latent content.

further references. Also, in order to ensure the *validity* of content analysis, the researcher made sure that there was correspondence of the categories to the generalizations made in the thesis. For example, the validity of categories in implicit concept analysis was achieved by utilizing multiple classifiers such as ‘chance’ ‘occasion’ ‘prospect’ for the concept category of ‘opportunities associated with OTOP’. Here, it is important to note that interviews were coded for sets of words or phrases that surrounded the content areas in order to include the various levels of implication. Specifically, words that implied ‘opportunities’ included examples such as ‘advantages of’ or ‘OTOP gave us the chance …’ or ‘the skills we got allowed us to…’ (interview transcripts). Also, because there were implicit information in the interviews, coding was done manually rather than by computer programmes in order to avoid the mistake of overseeing these implied meanings.

Furthermore, in order to ensure both reliability and validity of data or what Morse et al. (2002: 18) identified as *verification*, the research also maintained *sampling sufficiency*. Under *sampling sufficiency*, the sample consisted of participants of various groups, i.e., OTOP producers as well as non-OTOP producers, to account for the different aspects of the developing analysis. By interviewing additional interviewees rather than the same interviewees (i.e. non-OTOP producers) in order to elicit depth in the emerging analysis, the study was able to enhance ‘scope, adequacy and appropriateness of the data’ (Morse et al., 2002: 20).

Apart from ensuring sampling sufficiency, the researcher was keen to use multiple data sources in order to maintain Licoln and Guba’s (1985) criteria for increased credibility, which was supported by *triangulation*. Hence, various forms of data were drawn from various methods as follow:

- Review of government reports which evaluated the effects of policies;
- Review of newspapers and articles which documented the policy discourses of politicians;
- Interviews with policy actors such as public servants, politicians, scholars, and non-governmental organisations to understand the dynamics and process of policy making;
- Interview with OTOP beneficiaries;
- Interview with non-OTOP producers and entrepreneurs.

The use of multiple sources as outlined above permitted *triangulation of the data* in order to ensure the validity of the findings, and garner greater inferences from the results. Under triangulation, different view points were compared between the interviewed groups, i.e., OTOP producers and government officials, therefore examining the consistency of different data sources. Triangulation of sources illuminated gaps in the interpretive analysis. It also retained '*resonance criteria*', which Lincoln and Guba (1990) considered necessary for a case study report to reflect "the multiple realities constructed by the respondents in the inquiry" (Lincoln and Guba, 1990:54).

Also, in order to ensure methodological coherence, the use of *member checking* (Lincoln and Guber, 1985) was undertaken during the pilot stage of formulating topic guides and in developing initial interview questions. Also, the researcher tested interview data and analytic categories with members of the OTOP producers, non-OTOP producers, and government officials, from whom the data were originally obtained. This was done during the normal course of the conversations. Member checking gave interviewees the opportunity to correct inaccuracy and allowed interviewees to volunteer additional data, which informed the researcher of further themes that needed to be taken into account.

Finally, *dependability* and *confirmability* (Lincoln and Guber, 1985) were addressed through written field notes and process notes, which included methodological account of the research, as well summaries of reflections on emergent themes and interpretations during the content analysis process.

3.6.2 The Use of Verbatim Quotations in Qualitative Research

In relation to data application, it is also important to highlight that the use of verbatim quotations in this research related to the nature of the study, which aimed to recount the experiences of the informants regarding the OTOP programme. Hence, quotations were used primarily to illustrate the point being made and to deepen understanding. These constructs represent only some of the many ways in which verbatim quotation could be used. Primarily, a study conducted by the Social Policy Research Centre of York (Corden & Sainsbury, 2006), found that verbatim quotations are used differently within the following main constructs: as a matter of enquiry; as evidence; as explanation; as illustration; to deepen understanding; to give participants a voice, and to enhance readability.

The researcher was aware of the risk in over-emphasis or skewing the reader's perspective, and therefore laid caution over the use of verbatim. Ultimately, the researcher concurs with the view presented by the Social Policy Research Unit at the University of York (Cordon and Sainsbury, 2006) that real evidence lay in the conceptualisation and thematic analysis of the data, and interpretations made according to conducted linkages, which do not require presentation of direct quotation for all instances.

3.7 Thesis Limitations

There were several limitations that need to be noted in conducting the research. Firstly, because OTOP producers came from all regions of Thailand, the researcher had to consider substantial travelling cost in conducting the interviews and meeting the producers at their village. For this reason, the study made use of OTOP fairs that took place in Bangkok, which brought in many producers from all the regions. The benefit of interviewing informants in the fairs or market context was enhanced contextual richness. However, limitation also existed by conducting the interviews during the fairs. These included the limited timing available for the interview during the fairs. Also, the distraction of selling activities that took place during the fair was present. However, in overcoming these limitations, the researcher prepared for the possibility of conducting the interviews outside of the fairs. Therefore, preparation for re-contact via telephone or email for a follow-up interview episode was made.

Another limitation was that not all local producers were interested in in-depth interview and were not willing to disclose their information. To overcome this obstacle, introductions by fair organizers assisted in conducting the interviews. The researcher was aware of possible bias that may have been attached by linking with the fair organizers, and therefore also included local producers that were found in fair trade exhibitions and Sunday markets in Bangkok.

Finally, the last limitation relates to the perceptual position of the interviews. It goes without saying that with interviews, interpretation of data that came from either the informants and the researcher challenged objectivity. However, this did not make the provided information invalid; Rather, interpretation of information was unavoidable and was considered as critically important. Triangulation, which involves the use of different sources (as mentioned earlier), gave a fuller picture and helped improve the clarity and the precision of the research findings.

3.8 Ethical Considerations

Ethics is generally a set of 'rules, principles and conventions' that outline socially acceptable behaviours and social members' actions (Anderson, 1990: 17). Regarding social research, ethical issues are needed to be considered at every stages of research conduct to minimize potential harms of participants while the quality of research is maximized (Anderson, 1990). Lewis (2003) identifies several ethical concerns to be considered when conducting social research. These guidelines deal with the issues of informed consent, voluntary participation; respect for privacy, safeguarding anonymity and confidentiality, and accuracy of report and result. Each guideline was addressed and was considered in this study as follows:

1) Informed Consent

Informed consent from the informants is an ethical requirement for any social research. It requires the study to provide research informants a detailed clarification of the research's purposes, ensuring that they are informed of the details of the research including audiences of output, sponsor of the study, and how the data will be used (Lewis, 2003: 67). Prior to conducting the interviews for this research, the researcher supplied information to the interviewees in order to explain the purposes of the study and to explain that the results of the study would be used in a dissertation as fulfilment for a Doctoral degree.

2) Voluntary Participation

Prior to any interview, participants were informed that participation in the study was voluntary and that failure to participate in the study or withdrawal of consent would not result in any consequence. In order to ensure that participation in the study was on voluntary basis, participants were also informed that they had the right to withdraw from the study at any time.

3) Respect for Privacy

Literature on research methodology emphasizes that researchers respect the privacy of participants and assert that this should be complied at all costs to protect participants against unwanted interference and potential threats (Bryman, 2004; Lewis, 2003). This respect for privacy also includes avoidance of participants' embarrassment and discomfort about the study and the questions. By pre-testing the interview questions, this study aimed not to include sensitive questions that could cause participants embarrassment or discomfort. Harms that could arise in data analysis were prevented through the safeguard of anonymity and confidentiality as discussed below.

4) Safeguarding the Anonymity of Participants and the Confidentiality of Data

To protect the participants' privacy, the most important practices concern anonymity of participants (i.e. all information made to public would contain no identification of participant on the basis of response) and confidentiality of data (i.e. deletion of identifiers from the data that are publicly disseminated) (Lewis, 2003). For the research, participants were asked if information could be disclosed through the name of their organization. Also, any relevant data that appeared in the thesis was cross-checked for accuracy and privacy protection.

5) Accuracy of report and results

Another ethical guideline, as described by Bryman (2004), is to accurately report both the research methods and the results of the study. I assumed the responsibility to report data and result most accurately to my perception, including any problem and weaknesses experienced during the study.

In summary, this chapter discussed the methods and theoretical concepts employed to analyze the topic of continuity and change in developmental welfare in Thailand. The next chapter goes on to the empirical context of Thailand, and examines critically the national development programmes and policy in detail.

Chapter 4

Thailand's Developmental Welfare

In presenting the context against which policy reforms are analyzed, the case of the Thai developmental state, as found *before*, *during*, and *after* the 1997 Asian financial crisis, is examined in this chapter. The structure of the analysis is thus conceptualized into three main parts:

The first part of the chapter discusses the developmental path of Thailand before the 1997 Asian financial crisis. It draws a distinction between the principle and the practice of the national agenda in terms of social protection and the country's economic plan. Specific references are made to Thailand's national developmental plans (Plans 1-7), which covered the period between 1961-1997. The experience of Thailand supports evidence of the view that trade liberalization contributed to income inequality before the financial crisis. In association with this development, social protection lay mainly in the formal sector before the 1997 Asian financial crisis.

The second part of the chapter considers the effects of ideas[39] and assumptions that help explain the way in which institutional change occurred in certain policy areas during the 1997 financial crisis.[40] It examines the institutional change and domination of neoliberal[41]

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[39] For Peter Hall, ideas are important because they "specify not only the goals of policy and kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing'' (Hall, 1993:279).

[40] Assumptions of how the crisis developed will not be discussed in detail as this description is offered by various authors already. Please see Siamwalla(1997); Bello et al. (1998); Jomo (1998).

[41] It is to be noted that reference to neoliberalism in this thesis refers primarily to its dimension as a 'policy package'. Since neoliberalism could be understood in various ways, Steger and Roy (2010) have deliberated three levels of manifestation associated with the conception. Namely, they are neoliberalism as (1) an ideology, (2) a mode of governance, and (3) a policy package (Steger & Roy, 2010: 11). Neoliberalism as a policy package is represented by the main agendas of deregulation of the economy, liberalization of trade and industry, and privatization of state-owned enterprise (Steger and Roy, 2010: 14). The policy prescriptions of the IMF and

development agenda advocated by international institutions and how this affected the development trajectory in Thailand. Empirically, the section traces the policy developments associated with the Washington Consensus and how its application evolved in the country during the 1997 financial crisis.[42] It does this by drawing upon the Letters of Intent (LOIs) as exchanged between the Thai government and the IMF.[43] In addition, documentation and studies of the World Bank are scrutinized to substantiate the Bank's policy preferences. The purpose is to highlight, firstly, what were the implications of the IMF prescription for social protection in the Thai context; and secondly, which aspects of the IMF conditionality regarding social protection was really implemented. Essentially, the empirical context provides the detail in examining if the principle and the practice of the World Bank's and IMF's neoliberal doctrines diverged as the Thai state mediated with multilateral organizations. The principle and practice diverged especially when the Thai state took the role of being the driver of social protection coming from multilateral organizations.

Against the backdrop of what had happened during the 1997 financial crisis, the third section of the chapter further explores the forces underlying the adjustment following the crisis. The shift towards new policies after the crisis suggested different emphasis for social protection, particularly increasing inclusiveness (i.e., wider coverage of beneficiaries). Also, the state role shifted from one that was largely focused on the formal sector and became additionally

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the World Bank to Thailand during the 1997 financial crisis, which underscore neoliberalism as a policy package for Thailand, are elaborated further in this chapter.

[42] This research does not explore changes of social development ideas and policy norms of multilateral organizations, for instance, it is not the focus of this thesis how the social dimension issues are recognized by the IMF or the World Bank. Other works have explored this ground, for example in Antje Vetterlein's (2007, 2008) writing and in Bob Deacon's (2007) work.[42] Rather, the empirical focus of this thesis traces how the dominating principles and policy prescriptions of multilateral organizations are translated to specific national context. In examining this process, the analysis reveals the mechanisms of policy change situated in Thailand. It recognizes the influence of international organizations on national social policy, and assesses the extent to which these developments reinforced or undermined pressure on the Thai social policy.

[43] The Letters of Intents describe the policies that the government of Thailand intended to implement in the context of its request for financial support from the IMF during the 1997 financial crisis. The Letter of Intents are compared to subsequent programmes that actually transpired during the financial crisis.

focused on the informal sector through the OTOP policy. It is in this part of the chapter that the research draws on the concepts of *institutional drift* and *institutional layering* (Streeck and Thelen, 2005) to identify the mechanisms of institutional changes that took place.

Finally, the effect of the crisis occupies a central position within the nation's developmental path. The study of reactions during and after the 1997 Asian financial crisis demonstrates how economic and political actors responded to incentives for change in a given institutional complex. As such, the fundamental changes in the economic sector had significant corollaries to the social dimension.

4.1 Economic Development and Social Protection for Developmental State

In order to examine the context of change surrounding the economic and social development in Thailand, this section begins with the discussion on the connection between economic development with social protection for developing countries. The core of the discussion is the position of social protection under the developmental context. The discussion engages with the point of how social protection has been connected to the primacy of the economic goal in developmental state, as depicted for example, in Mkandiwire's (2001) 'leader/follower' model, and Holliday's (2003) point of 'welfare state capitalism'. This deliberation is set against an alternative recognition that social protection can be functional to the achievement of development objectives, including economic growth (Devereux, 2007). Underscoring this discussion is the vision and priority as set by an individual developmental state, namely the case study of Thailand.

Mkandiwire (2001) identifies a *leader/follower model*, where macroeconomic policy is determined first and social policy is left to address the social consequences. Mkandiwire (2001) argues that social policy has been relegated to a 'social safety net' for those who cannot participate or benefit from the proceeds of economic development (Mkandiwire, 2001). Under the leader/follower model, social policy is thus conceived as a residual category of safety nets that merely counteract policy failures or developmental disasters. Holliday (2003) also exemplifies how social policy is used to further economic development in his proposal of *productivist welfare capitalism*. He mentions that within the process of subordinating social welfare to economic efficiency, social policy is de-linked from the concepts of social rights and social citizenship. In order to avoid this subordination, Mkandiwire (2001) suggests the need for "transformative social policy" whereby social policy should be conceived as involving overall and prior concerns with social development, and as a key instrument that works in tandem with economic policy to ensure equitable and socially sustainable development (Mkandiwire, 2001: 3-4).

Reverse recognition that social protection can be functional to the achievement of development objectives, including economic growth is found in Devereux and Sabate-Wheeler's description of the 'instrumentalist' approach (Devereux and Sabates-Wheeler, 2007). Instrumentalist arguments point to social protection as incorporating risk management mechanisms that address the dysfunctionality of extreme poverty and inequality, under which social protection is intended to compensate for incomplete or missing insurance. Barrientos and Hulme (2008) also support this instrumentalist approach in attesting that "social protection constitutes an effective response to poverty and vulnerability in developing countries, and an essential component of economic and social development strategies"

(Barrientos and Hulme, 2008: 3). As such, social protection has increasingly been the subject of development policy for developing countries.

Barrientos and Hulme (2008) add that social protection has increasingly become:

> "… a much broader armoury of policies and programmes that combine interventions protecting basic levels of consumption among poor and poorest households; facilitating investment in human capital and other productive assets which provide escape routes from persistent and intergenerational poverty; and strengthening the agency of those in poverty so their capability to overcome their predicaments are increased" (Barrientos & Hulme, 2008:3)

The view described above parallels earlier conception found in advanced economies which substantiate economic significance of government supported social security. Specific mention include Abramovitz's view that "the enlargement of the government's economic role, including its support of income minima, health care, social insurance, and other elements of the welfare state, was… a part of the productivity process itself" (Abramovitz, 1981: 2). Also, in noting the positive economic effects, Lampert and Althammer (2001: 437) referred to the stabilizing effect of social and economic order when social security is in place. They claimed that: labour protection laws, health and pension insurance policy and education and training policy play quite a significant role in avoiding social costs and safeguarding efficient labour potential. In 1943, Beveridge drew attention to this connection in relation to industrial economies. He wrote:

> If unemployment benefits are made as high as is at all compatible with the preservation of a fluid labour market and the incentive for the individual to find work rather than enjoy himself, then the purchasing power of the working classes will be protected when a crisis begins, and the violence of depression will be reduced. (Beveridge, 1943: 252)

The fact that developmental states go through different stages of combining economic and social goals suggest that countries have path-dependent variations in the welfare mixes, which result in a differentiated approach. For example, Deyo (1992) describes how the shift of Asian industrialization emphasized low income policy in its initiation and then moved towards expanded social progrmames as part of wage subsidy, once high value-added exports became the focus of the economy. Essentially, the complexities of embedded social and political arrangements in national welfare regimes mean that countries have to develop their own system of social protection that aligns with their own economic and social conditions. In a study which takes into consideration the evolving nature and practice of a developmental state, how change happens and whether the change is a shift at the margin or a significant transformation are important issues that need to be addressed.

4.2 The Trend Before the Asian Financial Crisis in Thailand

In order to examine the changes in developmental welfare happening during and after the 1997 Asian financial crisis, there needs to be a reference point against which policy reforms are analyzed. This section examines what was the policy paradigm before the 1997 Asian financial crisis. By considering this initial orientation, the research is able to consider how the Asian financial crisis and subsequent policy reforms undermined this previous policy paradigm.

In Thailand, the state began to play a significant role in promoting economic development in 1959, following the World Bank's report that advocated a systematic and state led programme of economic development using a central planning agency and a series of *national development plans* as instrumental to Thai development (World Bank, 1959). For Thailand, during the late 1950's to the early 1990's, social development followed economic development, similar to the 'leader/ follower model' described by Mkandiwire (2001). From the first national development plan (1961-1966), emphasis laid upon industrial development and agricultural production. Thailand’s increasing rate of economic expansion was 8.1 per cent, while the target was only 5.5 per cent (NESDB, 1966: 32). In the second national development plan (1967-1971), the rate was 7.2 per cent (NESDB, 1971: 56). By the third national development plan (1972-1976), gross national income increased by 6.2 per cent (NESDB, 1976: 77). However, problems of unemployment, poverty, and low agricultural productivity were prevalent. The government at the time believed that economic progress would lead to income accumulation and improved lifestyle. Mainly, improvement in the standard of living was attached to means of greater agricultural and industrial production. However, these changes also increased the income gap between rural and urban Thailand and drew increasing number of migrants to the city for work.

In the late 1960s and early 1970s, demonstrations for the country’s democracy raised awareness on a small range of welfare issues. In the 1960s, the National Council on Social Welfare of Thailand (NCSWT), a non profit organization, was founded under the royal patronage to coordinate social development among government and private organizations.[44] Its main missions included providing assistance for people with disabilities and child welfare services.

In 1973, the student protest led workers, businessmen and ordinary citizens for a new constitution and the replacement of the government which was dictated by Thai military figures (Lowry, 2008). The new government of Kukrit Pramoj (1975-1976) gave attention to poverty problems and started the ‘village development fund’ involving 6,000 million baht as well as issuance of identification for low income workers to have access to health service

[44] Accessed on 8 February 2011, http://www.ncswt.or.th/history.html

(Sawasdee, 2006). However, these programmes were shortlived as Kukrit Pramoj's government was defeated in the general election during April 1976 (Warr and Nidhiprabha, 1996). The defeat signified military disquiet with Pramoj's liberal policies along with the strained relations between Thailand and the U.S. during the withdrawal of all foreign troops from the country (Warr and Nidhiprabha, 1996).

By the Fourth national development plan (1977-1981), the government emphasized decentralization of industry and began the promotion of export-oriented industries able to benefit from the nation's low wage rates (NESDB, 1981). Specific example includes the Industrial Estate Authority of Thailand's plans to established industrial estates. Subsequently, the Fifth national development plan (1982-1986), focused on providing employment opportunities in the poorer regions (NESDB, 1986). These opportunities were attached to industrial production, with emphasis on heavy industries and investment promotion zones such as the expansion of the Eastern Seaboard Development Program (JICA, 2000).

In the 1980s, as the Thai economic development strategy moved towards export oriented strategy, it was during this period, Thailand also moved towards integration in the globalized economy. Furthermore, the oil crisis in 1979-80 forced Thailand to seek assistance from the World Bank (Phongpaichit et al., 2002). The Bank extended loans to Thailand under its structural adjustment programme, which was conditional on reforms in fiscal policy, tariffs, investment incentives, and institutional arrangements designed to reorient the Thai economy towards an export – oriented strategy. The new economic orthodoxy pushed for market liberalization. The shift in development strategy was accompanied by a move away from state-led development to market-oriented economies.

In the Sixth national development plan (1986 – 1991), export promotion continued and the public sector was streamlined. The government carried on with strict monetary and fiscal policies. During the sixth plan, privatization of state enterprises increased as the plan targeted private sector investment and initiatives. In the plan, it is mentioned "the government will withdraw from activities which can be carried out better and more effectively by the private sector and will allow more privatization" (Sixth National Development Plan). By the late 1980s, Thailand had deepened international competitiveness by promoting foreign direct investment (FDI), dismantling trade barriers, liberalizing financial market, promoting exports, maintaining monetary and fiscal discipline, removing distortions in the price system and making labour markets more competitive (Phongpaichit et al., 2000). By the early 1990s, controls on interest rates and capital accounts were removed, supporting foreign capital inflows (Hamilton–Hart, 2000). Businesses pressed for a decrease in governmental regulation through the Joint Public and Private Consultative Committee (JPPCC). Neoliberal orthodoxy was seen to propel economic growth. Real GDP annual growth rose to double digits in the 1980s.[45] Between the two decades of economic development, GDP growth increased to 7.6 per cent annually (Phongpaichit et al, 2000). The World Bank (1993) noted Thailand's performance in economic progress up to the mid – 1990s as one of the 'High Performing Asian Economies'. Financial liberalization was further supported. The Bank advised Thailand to liberalize the financial system by making the baht freely convertible, removing restrictions to foreign exchange, reducing tariffs, developing the stock market, and opening up banking to free competition (Phongpaichit et al., 2000). Mobility of capital by financial deregulation and elimination of capital controls were believed to contribute to the Thai economic growth. In 1993, the establishment of Bangkok International Banking Facility (BIBF) opened up financial markets and gave domestic

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[45] In 1988, real GDP rose to 13.3 per cent (Krongkaew, 2002).

borrowers access to overseas financial markets (Kithananan, 2004: 31).[46] Nonetheless, the consequence was unexpected. The capital inflow prompted financial firms to behave in a risky manner. One account of this precarious approach is traced to relaxed government restrictions, as well as presumed cronyism and favouritism (Lauridsen, 1998). Consequently, investments were made redundantly, inducing overcapacity and a bubble in property markets. Export growth decreased and the current account deficit reached 7.1 per cent in 1995 (Laird, 2000). International financial speculators began to attack the baht currency. Macroeconomic policy was mismanaged and the financial reserves were sacrificed in defense of the currency value from hedge funds. The devaluation during July 1997 marked the end of economic growth and the beginning of the bust period. The liberalization policies, which the Bank had urged Thailand to adopt (Warr, 1999), were linked to the most severe crisis ever experienced in the country's history.

4.2.1 Social Development *Before* the 1997 Asian Financial Crisis

An overview of the first to the seventh national development plans show that Thailand followed a growth oriented developmental approach. Importantly, economic development played a central role in this model, while social development was subsidiary in national development context. Evidence of uneven development is linked to the negative distributional effect that is associated with income inequality and regional disparities, particularly in rural communities and in the North and Northeastern part of Thailand. The big assumption was that the benefits of economic growth would trickle down to the less privileged and to the rest of the population. However, the 'trickle down' effect did not take place as the gap between the rich and the poor increased, as is found in the evidence of Thailand's income distribution

[46] BIBF allowed offshore banks to lend into the domestic market.

gap. Specific reference to Thailand was even made in the World Bank report (1999a) which indicated that, prior to the 1997 financial crisis, Thailand had not developed any 'comprehensive and dedicated set of social protection and anti-poverty programmes…'. (p. 129).[47]

Isra Santisart's (2005) study on income distribution indicates that the benefits of economic growth were not distributed equally during the period of development prior to the 1997 financial crisis. For example, the Gini index increased from 0.426 to 0.493 and later to 0.531 during the respective years of 1976, 1988, and 1995 (Santisart, 2005: 138). This study stands in contrast to a seeming decline in the national poverty rate over time, which does not capture the uneven impact across the country. For instance, the poverty rate of the country declined from 57 per cent in 1963 to 33 percent in 1976, and subsequently from 22 per cent in 1988 to 14 per cent in 1992 (Santisart, 2005: 138). However, further scrutiny of poverty incidence by region show that the percentage of population in poverty was not uniform across the country, as shown in table 4.1.

Table 4.1 Poverty incidence by region, 1990 to 2000

Region	Percentage of population in poverty[48]					
	1990	1992	1994	1996	1998	2000
Bangkok	2.0	1.1	0.6	0.1	0.4	0.1
Central	13.9	6.7	5.9	3.1	3.4	2.7
North	17.8	14.8	10.9	5.8	5.5	8.4
Northeast	30.9	24.1	18.2	10.4	9.2	15.1
South	20.0	12.6	13.4	6.9	8.2	7.7
Whole Kingdom	20.1	14.5	11.5	6.4	6.1	8.5

Source: Isra Santisart, 2005: 148.

[47] Speculation of the distribution of income revealed that in 1998, income inequality became more unequal when the crisis reached its lowest point. In 1999, the Thai National Statistics Office (NSO) conducted a socio - economic survey in order to monitor the significance of the crisis on income and expenditure. The results had shown that the loss of income during the year caused the incidence of poverty to increase to 14.6 per cent (Krongkaew, 2002).

[48] Measurement of poverty here involved the use of poverty line, which was the level of household income per household member. A household that had average per capita income below the poverty line was considered as income poor (Santisart, I., 2005: 148). The official poverty line for 1996 and 1998 was 737 and 878 baht per person per month, respectively.
(http://www.nscb.gov.ph/poverty/conference/papers/7_Thai%20official%20poverty.pdf, accessed 17 March, 2011).

Furthermore, changes in poverty incidence for non-agricultural households and agricultural households constituted a different outcome. Poverty incidence heightened after the crisis for people living in farming households. The table below presents the poverty incidence by agricultural and non-agricultural employment, 1990-2000. Table 4.2 shows that between 1990-2000, there was less percentage point deduction in the non-agriucultural employment. Specifically, the fall in the non-agricultural employment went down by 0.37 per cent, 0.54 per cent for the agricultural group owning land, and 0.61 per cent for the agricultural not owning land. As a result, the percentage went down most amongst the agricultural group who was also made up primarily of the informal sector. As such, it can be said that poverty decreased across the board but least of all for the agricultural group not owning land.

Table 4.2 Poverty incidence by agricultural and non-agricultural employment, 1990-2000.

Sector	Percentage of population in poverty						
	1990	1992	1994	1996	1998	2000	% change
Non-agricultural	9.9	6.3	6.1	2.8	3.0	3.6	0.4
Agricultural, owning land	29.3	23.8	19.9	12.1	9.9	16.0	0.5
Agricultural, Not owning land	33.1	23.9	20.9	13.6	14.8	20.2	0.6

Source: Isra Santisart, 2005: 151.

As the country experienced widening gap between the rich and the poor, attention began to shift towards social development in the Seventh development plan (1992 to 1997). The three official emphases of the seventh plan were: (1) sustained, moderate growth (2) redistribution of income and decentralization of planning to achieve reductions in the percent in poverty and in the widening gap between rich and poor; and (3) human resource development. Despite attention and actual statements of sustained growth, the annual real growth rate target was nonetheless set at 8.2% for 1990 (Seventh National Development Plan). Also, the industrial sector was growing at an above-target average annual rate of 11.4%, in contrast to the agricultural sector, which grew at the annual rate of 1.5% (National Statistics Office, 1996). From these statistics, many of the outcomes continued to focus on economic development, while policy guidelines of ‘sustained growth’ remained conceptual.

The gap between the principle and the practice of social development, as presented in the national development plans and documents of the World Bank, are further supported by specific evidences of the country’s Social Security Acts. Thailand’s Social Security Act, B.E. 2497 (1954) introduced during Field Marshall Phibul-Songkram’s administration, was aimed towards formal contractual employment (SSO, 2003). The government, however, revoked the ‘draft’ legislature of the system because it put burden on public expenditure and government administration. Meanwhile, only the Workmen’s Compensation Fund was issued in 1974, which provided protection for workers in the formal private and public sector who suffered from occupational accidents and work-related injuries (Pongsapich et al., 2002: 323).

In 1990, parliament repassed the Social Security Act. Benefits drafted under the act included: illness or injury, maternity, disability, death, child allowance, old age pension, and unemployment. Those working outside of formal employment, such as in the agriculture sector, were not covered by this system. They have to rely on informal measures such as financial support from the family. Protection of the risk of unemployment and underemployment were missing.

Figure 4.1 Number of Establishments and Insured Persons, 1994 – 2003.

Source: Social Security Office (2003).

In the enterprise sector, incidences prior to the 1997 financial crisis show that the Thai government supported formal and large enterprise rather than small-scale enterprises (with less than 50 workers). For instance, the Board of Investment under the Office of the Prime Minister encouraged foreign investors and medium and large scale industrial operations (Felker and Jomo, 1999). In addition, the Social Security Act initially covered enterprises with 20 or more employees (SSO, 2003). Only employees in formal enterprises were protected by social security measures (SSO, 2003). Contrastingly, workers in the informal sector and self-employed individuals were not included and covered by the Social Security Act (SSO, 2003).

Finally, the provision of unemployment insurance under the Social Security Act remained unimplemented before 2004 (SSO, 2003). Prior to the implementation of the unemployment insurance, the Social Security Office (SSO) requested the technical assistance from ILO to launch a feasibility study of the introduction of the unemployment insurance in Thailand. The study concluded that the SSO should extend the coverage to the small - scale enterprise along with the operation of unemployment insurance (SSO, 2003).[49]

4.3 Responses *During* the 1997 Asian Financial Crisis

This section discusses the existing developmental path of Thailand during and after the 1997 Asian financial crisis.[50] It examines the institutional change and domination of neoliberal development agenda advocated by multilateral institutions and how this affected the development trajectory in Thailand. Against the backdrop of institutional analysis, changes associated with developmental welfare are claimed to be both incremental and transformative.

The section begins by focusing on the neoliberal ideas and the discourse in a broader historical context. It gives a basic account of the Washington Consensus and how its application evolved in developing countries of Asia during the 1997 financial crisis. Discussion of the neoliberal agenda represents the effects of ideas and assumptions that help explain the way in which institutional change occur in the social policy area. In light of the need for adjustment towards specific cultural traditions, social environments, and economic conditions, the section further explores the forces underlying the shift from the Washington Consensus to the Post Washington Consensus. Discussion of the institutional shift extends to the following main points: *which conditionality of multilateral organizations were really*

[49] Hence, Figure 4.1 shows that prior to 2001, there were a low number of enterprises with unemployment insurance, because they did not cover small-scale enterprises.
[50] Assumptions of how the crisis developed will not be discussed in detail as this description is offered by various authors already. Please see Siamwalla(1997); Bello et al. (1998); Jomo (1998).

implemented in the Thai context; which conditionality remained after changes in government; and to what extent were the new policies consistent to those conditionality set up by multilateral institutions during the financial crisis.

4.3.1 Economic Policy Making During the 1997 Financial Crisis

The case of economic policy making in Thailand during the late 1990s was marked by neoliberal ideas. The ascendance of neoliberal ideas can be traced to the mid 1970s when western governments turned away from statist and redistributive concerns in support of ideas and policies that emphasized the role of free markets, a reduced role for the state in development, and the promotion of liberal trade and foreign investment policies (Chang, 2003: 37-39). Interconnected economic crises in the 1970s, revolving around the inflationary impact of rising oil prices, a fiscal crisis of the state, and rising unemployment, led many to consider previous Keynesian model, which followed World War II to be no longer appropriate (Glyn 1990: 39-119). The combination of seemingly ineffective Keynesian policies and an enthusiastically supported alternative model meant that the preconditions for a fundamental paradigm shift were in place. Over time, emphasis was placed on fighting inflation as the core responsibility of governments (Robinson et al., 1999) It was believed that once stable prices prevailed, a market economy had self-correcting properties and did not require Keynesian activism to cure recessions.[51]

Neoliberal ideas became the main policy prescription of international development agencies, and later they have been transferred into the policy making of developing countries. The

[51] Peter Hall (1993) also made references to a paradigm shift from Keynesianism to Monetarism, identifying how the monetarist paradigm was the highly developed alternative and thus a principal challenger to the Keynesian doctrine. The case of economic policymaking in Britain during the 1970s and the 1980s was used as an illustration of his point in Policy Paradigms, Social Learning, and the State, Comparative Politics, 25 (3), April, 275-296.

Bretton Woods institutions – represented by the Washington-based World Bank (WB) and the International Monetary Fund (IMF) – were the principal conduit for the transmission of neoliberal ideas to the developing countries. (Robinson et al., 1999) *Structural Adjustment Lending* (SAL) was commonly used to describe a package of economic and institutional measures which the International Monetary Fund (IMF) and the World Bank (WB) encouraged developing countries to adopt during the late 1980s and 1990s in return of policy-oriented loans (Mosley et al., 1991). SAL embraced free market solutions, privatized state enterprises and fiscal austerity (World Bank 1981). Neoliberal ideas framed development policies through the SAL's convention. SAL packages involved public expenditure cuts and devaluation in stabilizing the economy. SAL also aimed to adjust economic structures through deregulation, dismantling public bureaucracies, reducing subsidies, and encouraging realistic prices to emerge as a stimulus to greater productivity. The primacy of economic liberalization and free market of SAL packages rejected the Keynesian ideas which designate a key role for the state in planning and redistribution (Leftwich, 2000). Rather, free competitive market economies were supported by minimal state in order to overcome the developmental stagnation.

Although a contested term, the so-called *Washington Consensus* (WC) was understood as an economic doctrine in support of SAL under the guidance of the IMF and the World Bank.[52] During crisis period, the standard reform package embodying neoliberal ideas were promoted under the Washington Consensus. The WC are represented as follows: fiscal discipline; a redirection of public expenditure priorities toward fields offering high economic returns; tax reform; interest rate liberalization; a competitive exchange rate; trade liberalization;

[52] The term “Washington Consensus” was coined by John Williamson, a former World Bank manager, to characterize consensus reached among economists in three important agencies with headquarters in Washington, D. C.—the IMF, the World Bank, and the US Treasury Department—on the “the lowest common de-nominator of policy advice being addressed…. to Latin American countries as of 1989” (Williamson 2000: 251).

liberalization of inflows of foreign direct investment; privatization; deregulation (to abolish barriers to entry and exit); and secure property rights (Standing, 2002). Marangos (2009) also elaborates on how the Washington Consensus is interpreted as the neoliberal manifesto, as found below.

Table 4.3 The Washington Consensus Policies

Policies	As a Neoliberal Manifesto
Fiscal discipline	Balanced budget
Public expenditure priorities	Reduced government expenditure
Tax reform	Tax cuts and elimination
Financial liberalization	Market determined interest rates
Exchange rates	Convertible freely floating exchange rates
Trade liberalization	Free trade and the elimination of protection and capital controls
Foreign direct investment	Abolish barriers to entry for foreign firms
Privatization	State enterprises should be privatized
Deregulation	Deregulation of entry and exit barriers and the suppression of regulations designed to protect the environment
Property rights	Not a concern
Institution building	Independent central bank and money supply should grow at fixed rate consistent with monetarism
Price liberalization	Immediate price liberalization

Source: Marangos (2009)

The central pillar of the Washington Consensus was to encourage integration of developing economies into the world market (Lo, 2003). In line with standard neo-classical theories of growth and trade, late developing economies would converge towards the income level of advanced countries via the principle of comparative advantage (Lo, 2003). This liberalization required developing economies to adopt measures described above, for example, to rest their foreign trade and the international division of labour under the regulation of the world market. This is not to say, however, that the neoliberal agenda equated to the same set of policies for every country in Asia. To say that would be an oversimplification. Rather, neoliberalism as a policy package stressed the important aspects of deregulation, liberation, and privatization (Steger & Roy, 2010: 14). Here, the Washington Consensus underlined the neoliberal conception, whereby the market was a universally efficient mechanism for allocating scarce resources and promoting economic growth. Under its influence, international financial institutions, particularly the IMF and the World Bank, actively encouraged governments to dismantle market controls (Hayami, 2003). How each country adopted the neoliberal measures was also a matter of domestic context. That is why there is a need to present the debates surrounding the pragmatism of multilateral conditions as found in the next section.

4.3.2 The Multilateral Conditions in Thailand

During the 1997 Asian financial crisis, the IMF became particularly influential with Thailand's policy agenda. In accord to IMF conditions for a rescue loan, the policy package consisted of a macro plan and structural adjustment programme adapted from the IMF's bail-outs in Latin America (Stiglitz, 2002). The loans were based on reforms in fiscal policy, tariffs, investment incentives, and institutional arrangements designed to reorientate Thai economy towards export-oriented strategy.

Chaovalit's government was forced to call on the help of IMF and received the IMF package because foreign reserves were exhausted by mid 1997. The policy package consisted of $17 billion rescue loan in condition to adaptation of the macro plan (Kitthananan, 2004).[53] These consisted of: reduction in government spending by 20 per cent; implementation of tight monetary policy and high interest rates; increased access for foreign investors; privatization of key sectors such as energy, transportation, and communication (Krongkaew, 2002).

[53] It must be noted that these adaptation was based on IMF's bailouts in Latin America (Stiglitz, 2002).

The IMF pushed forward the plan to restructure economies according to the neoliberal model because it believed that the crisis stemmed from the 'Asian model' of development. The model resulted in crony links between politics and business and corruption while the government directed the economy to deliver high growth in the short run (Krugman, 1998; Ouatara, 1998). During the time when the government's accountability became questioned and the government could no longer manage the crisis, the IMF policy package became the suitable alternative. State reorientation during the 1997 Asian financial crisis resulted in a transformed developmental model. The developmental model became more regulatory (Jayasuriya, 2000). In the regulatory model, the state provided an enabling environment for international capital.

Following the dissolvement of Chaoavalit's government, the Democrat Party (DP), headed by Chuan Leekpai, formed a new coalition government and took over the administration in November 1997 (Hewison, 2000). Similar to Chaovalit's government, the DP's government committed to the IMF policies with evidence drawn from banking and financial reforms, corporate and debt restructuring, and promotion of FDI and exports (Kitthananan, 2004). The government deliberately reduced the influence of domestic conglomerates (especially of the Chinese-Thai owned families) that controlled the economy through banking and manufacturing services. The government limited its own direct intervention working mainly along the lines of market-driven corporate and banking restructuring. The government thus preferred to play only provisionary role in regulatory and legal institutional frameworks. For example, in areas of non-performing loans (NPLs)[54], the government insisted that banks carry on with their own private asset management companies rather than have the government set up an asset management corporation that nationalized NPLs (Kitthananan, 2004). Meanwhile,

[54] NPLs increased during the crisis because banks continued to lend to insolvent borrowers rather than to call in the loans (Kitthananan, 2004).

the government focused on its policies on strengthening the financial sector at the expense of other sectors. For instance, the government subsidized the fragile banking system instead of the rural economy. The neoliberal regime pursued by the government thus supported export driven and foreign capital funded growth regime. According to the Letters of Intents (LOIs, 1997), attention was drawn in principle to six key areas to prepare the ground for recovery from the crisis. The Thai government was to engage in the following activities:

1. Reductions in interest rates and higher monetary growth rates in line with recovering money demand;
2. Adjustment of the fiscal target. The overall public sector deficit target under the program for 1997/98 is proposed to be changed from 2 percent of GDP to 3 percent of GDP;
3. Strengthening of the social safety net and increase in well-targeted public works programmes;
4. Corporate debt restructuring and liberalizing of foreign investment restrictions;
5. Financial sector reforms based on best international practices for loan loss provisioning;
6. Strengthening of the finance company sector.

4.3.3 Debates of the Neoliberal Discourse

Under the study of neoliberalism, serious doubts had been cast on the basic premise of the Washington Consensus (WC).[55] In particular, the attack on WC reforms grew out of the

[55] Kanbur et al. (2009) provides the observation that the Washington Consensus became what it did, not what it said. For example, Williamson notes that "when I reviewed the progress Latin American countries had made implementing the recommended set of policies several years later, I concluded that the least progress had been made in implementing the second policy, redirecting public expenditure policies." For this reason, the label Washington Consensus is in seemingly used interchangeably with “neo-liberal” or “market fundamentalist” (Kanbur et al., 2009).

recognition that reforms to reduce government control and intervention were ineffective and damaging in developing economies (Stiglitz, 2002; Rodrik, 2006). One criticism of the Washington Consensus was that it focused exclusively on stabilizing inflation and neglected the Keynesian case for stabilizing the real economy. Stiglitz (2002) contends that the Washington Consensus did not understand the limitations of markets; rather it focused on a limited set of instruments such as controlling inflation and was only concerned with problems reflected in the macro policy. As a result of following the WC, governance issues in the public and private sector were ignored; namely, these included employment policy, competition policy, improvement in education, and land reform, for example. The source of failures therefore laid in the objectives of focusing only on the increases in the economic market, and not in achieving sustainable, equitable development.

As a case in point, Stiglitz (2002) drew attention to specific failure of the Washington Consensus in the Latin America. In Stiglitz's observation, the Washington Consensus policies produced limited growth that was *not equitably shared*. Stiglitz (2002) argues that markets by themselves do not produce efficient outcomes. Here, he criticizes the way trade liberalisation, capital account opening, and privatisation failed to include provisions to protect the poorest segments of society (Stiglitz, 2002). Furthermore, Stiglitz (2002) posits the view that moderate price inflation has no measurable growth effect and therefore has no serious welfare consequence. By concentrating on the negative impact of contractionary measures on wages and unemployment, for example, Stiglitz (2002) notes how the result in lower household income led to undesirable health and education outcomes.

Another criticism of the Washington Consensus rested in its proponent of private investment structure. With its strong belief in the efficiency of the market mechanism, the Washington Consensus advocated leaving investment in production infrastructure to private funds mobilized by the market (Rodrik, 2006). This was considered possible so long as the proposed investment projects could be expected to yield high financial returns. Hayami (2003) notes the bias of the Washington Consensus is however critically flawed when applied to infrastructure for small farms, cottage industry, and petty trade. By leaving production infrastructure to private initiative and concentrating development resources in large-scale, capital-intensive industries, public resource allocation for the supply of social services such as education and health care became large in developing economies, resulting in underinvestment in production-oriented infrastructure and services for the poor people (Hayami, 2003). As a result, economic growth and poverty reduction did not follow as expected. For this reason, it is believed that the supply of production infrastructure and services to the poor people cannot rely on private markets alone. As elucidated by Schultz (1964), broad-based growth of low-income economies is possible only when public programmes supply profitable production opportunities for the poor people. In line with this thinking, equity and efficiency considerations should not be separated under trickle down economics (Stiglitz, 2002). By *Trickle-down* economics, the poor gain only if growth is pursued and shared relatively equitably.

In effect, the IMF itself began to recognize the problems of capital market liberalization. The experience with orthodox macro-economic policies did not produce growth that was fast enough to reduce poverty in much of the developing economies. As such, there was no clearly determined threshold level of sufficient economic development. This prompted the international financial institution to look more directly at implications of poverty and economic deficiencies. For instance, IMF’s Internal Evaluation Office called for debate over alternative macroeconomic policies within developing countries before extending its lending based on conditionalities (Mehrotra, 2007).

To the practitioners of the Washington Consensus, the standard policy reforms did not produce lasting effects fundamentally when institutional conditions were poor (Rodrik, 2006; Easterly and Levine, 2003). Rodrik (2006) provides the observation that sound policies needed to be embedded in solid institutions. He observes that trade liberalization did not work in developing economies when fiscal institutions were not in place to make up for lost trade revenue, capital markets did not allocate finance to expanding sectors, customs officials were not competent and honest, and labor-market institutions did not work properly to reduce transitional unemployment (Rodrik, 2006). In addition, Easterly and Levine (2003) argued in their study that policies (i.e., trade openness, inflation, and exchange rate overvaluation) did not exert an independent effect on long-term economic performance once the quality of domestic institutions was considered. Furthermore, Rodrik (2006) notes how the principles of macroeconomic stability, domestic liberalization, and openness were interpreted narrowly during the Asian crisis to mean 'minimize fiscal deficits, minimize inflation, minimize tariffs, maximize privatization, maximize liberalization of finance,' with the assumption that overlooked the fact that these measures were just *some* of the ways in which these principles could be implemented" (Rodrik, 2006: 6) For example, trade openness could be achieved through lower import tariffs, but also through duty drawbacks, export subsidies, special economic zones, export processing zones, and so on.

Manors (1995) argued that the policy prescriptions of the IMF and the WB were enforced without consideration for local institutional variations.[56] For instance, when the capital account crisis emerged in Asia, multilateral lending institutions failed to understand that the nature of this crisis was different from previous crises in Latin America and elsewhere. When

[56] The variations that existed among developing countries ranged from differences in regime, institutional arrangement, state-society relations, and the historical development of state power.

the IMF organized emergency loans for the crisis-hit economies, it imposed on them the same kinds of conditionalities, such as cutting the government budget and raising the Central Bank rediscount rate, as it had applied in Latin America, to curb domestic demand and improve the current balance of payments (Hayami, 2003). A fundamental criticism against the IMF was that it had exerted pressure on Asian developing countries to open their capital account prematurely before the crisis, without due regard for the need to strengthen their financial market institutions (Bhagwati 1998, Stiglitz 2002). Implication was grave, given that the crisis situation then suggested that a country incurred further risks with an excessive fiscal deficit.

The 'Letters of Intent' that were negotiated between the IMF and the crisis-affected economies of Indonesia, Thailand and Korea, called for a re-imposition of the 'Augmented' Washington Consensus Policies (Rodrik, 2003). At this point, reforms in the areas of structural, regulatory, and macroeconomic policy management were still recognized as prerequisites for sustainable growth. However, it was believed that reforms must be complemented by a social policy framework, in order to ensure a capacity to address the social consequences of inevitable cyclical downturns and to foster a flexible labor market and achieve the investment in human capital necessary for growth (Knowles, 1999: 96). Thus, while the Washington Consensus clearly distinguished between macroeconomic and microeconomic policies, under the Augmented Washington Consensus version, there was recognition of the importance of micro based policies, which addressed the issues of the institutional foundations (Rodrik, 2006). As a result, core policy proposals pertaining to macroeconomic prudence, deregulation, privatisation and liberalisation were supplemented by a renewed commitment to poverty reduction and institutional reform that fell under the rubric of 'good governance' (Robinson et al., 1999).[57] The pre-requisites of 'good' governance revolved around democratic reform, the promotion of civil society, institution and capacity building, transparency, a renewed commitment to poverty reduction, and the creation of social safety nets (Robinson et al., 1999).

4.3.4 Multilateral Organizations and the Social Dimension to Economic Growth

In 1990, the World Bank and the IMF responded to the criticisms of the macroeconomic policies which increased poverty. Specifically, the IMF tried to address the detrimental effects of adjustment lending in the form of social safety nets and technical advice regarding social expenditure. Prior to the 1990s, the IMF has been reluctant in promoting the policy norm of social development and in accommodating its operations. This shift in emphasis is noted in both Bob Deacon (2007) and Antje Vetterlein's (2007) analysis. Deacon (2007: 46) mentions that the IMF took the social dimension of globalization more seriously, by considering how the degree of equity was beneficial to economic growth. Meanwhile, the World Bank also "..[a]rticulated more clearly its risk management approach to social protection in the context of globalization, and showed leanings towards giving support for public sector spending" (Deacon, 2007: 25).

In 1992, the IMF included in its statement on the Realization of Economic, Social and Cultural Rights (UN Doc. E/CN.4/Sub.2/1992/57 of September) that "mistakes have been made …One of the results… is a greater emphasis on social aspect of adjustment and the

[57] Augmented Washington Consensus includes the following elements: Corporate governance, anti-corruption, flexible labor markets, WTO agreements, financial codes and standards, "Prudent" capital-account opening, non-intermediate exchange rate regimes, independent central banks/inflation targeting, social safety nets, and targeted poverty reduction (Rodrik,2006).

explicit incorporation of affordable safety nets in an increasing number of instances." Following the official statement in 1992, IMF's 1994 Annual Report notes that:

> …some policy measures may have important distributional implications, that such distributional effects can undermine public support of the reforms, and that the design of Fund supported reform programmes should evaluate and seek to mitigate the short term adverse effects of policy measures on vulnerable groups (IMF, 1994: 120).

In other words, the IMF recognized the social implications of enacted policies and the need to enhance situation of sustainable economic reform.

Despite increasing attention to the social dimensions of development, Vetterlein (2008) notes that no major operational or organizational changes took place which indicated that the IMF took up the idea and actively engaged in translating it into a policy norm. It was only in 1999, with the IMF's participation in the *Poverty Reduction Strategy Paper* (PRSP) programme initiated by the World Bank, that a decisive shift in the Fund's behaviour towards an emphasis on social development that combined poverty reduction and economic growth took place (Deacon, 2007; Vetterlein, 2008). Nonetheless, controversy remains in the literature about the extent to which the World Bank and the IMF policy advice and conditionality actually changed. The next section explores how the World Bank and the IMF tried to broaden the theoretical agenda of development economics in the specific case of Thailand.

4.3.5 Social Policy Developments During the Financial Crisis

The idea of 'social safety net' was included in the 'Post Washington Consensus' following the financial crisis. Under the IMF, this included '…targeted subsidies, cash compensation in lieu of subsidies, improved distribution of essentials such as medicine, temporary price controls for essential commodities, severance pay and retraining for retrenched public sector employees, employment through public works, and adoption of permanent social security arrangements to protect the poorest' (IMF, 1995: 15). The concept was cast as part of the management of the financial crisis, particularly in cushioning the social impacts such as unemployment.

The Thai government's response in social dimension can be traced by its exchange with the IMF. This is indicated in the Letters of Intent (LOIs), where the Thai government at first aimed to reduce expenditures, thus decreasing spending for social and welfare sectors. Comparison between the first few LOIs with subsequent LOIs demonstrated an expressed increased in expenditures during the year 1998. Hence, the first Letter of Intent dated August 1997 between IMF and the Royal Thai Government emphasized macroeconomic focus, and financial restructuring. There was no specific plan of what the social safety net constituted. It was mentioned only that the budget cuts required to meet the IMF's demand for a fiscal surplus would not fall on social expenditure such as subsidies for bus and train fares mainly uses by the poor (LOI, August 1997). Other evidence of the IMF's encouragement of reduced government expenditure can be traced to speech of Thomas C. Dawson, the Director of the External Relations Department of the IMF, to the MIT Club of Washington, on June 13, 2002:

> Our most glaring error, according to many observers, was to recommend excessive belt-tightening to Thailand at the start of the crisis. It is worth recalling that in July 1997, Thailand was still growing rapidly, had a huge and growing current account deficit (more than 8 percent of GDP), and faced large, though as yet unrecognized, fiscal liabilities to recapitalize the financial system. It was against this background that the IMF recommended a roughly-unchanged fiscal position.

Specific measures and serious recognition regarding social impact were evident only until the third LOI dated February 1998, which stated:

> … We have stepped up efforts, in collaboration with the World Bank, the Asian Development Bank (ADB) and the Overseas Economic Cooperation Fund (OECF) to strengthen the social safety net, the need for which has become acute in the wake of rising unemployment and falling real wages.
>
> (LOI, February 1998)

Subsequent LOIs reiterated these grounds, suggesting adjustment to measures, and initial underestimation of the social impacts of the crisis:

> … we have concluded that existing arrangements for social safety net spending need to be strengthened more rapidly than previously anticipated to provide greater relief to displaced workers. Therefore, we propose to revise the target for the 1997/98 overall public sector balance from minus 2 percent of GDP to minus 3 percent of GDP... Within this total the central government deficit will rise from 1.6 percent of GDP to 2.4 percent of GDP. Roughly one-half of this revision will reflect higher social safety net spending…
>
> (LOI, May 1998)

> … As recognized in previous letters of intent, the government has a vital role to play in supporting the recovery of the real sector and, in the meantime, minimizing the social impact of the recession. With the depth of the recession more severe and prolonged than previously anticipated, we are renewing our efforts in this regard.
>
> (LOI, August 1998)

However, caveats remained as measures taken to alleviate the social impact were limited and the IMF did not stress or revise the macroeconomics of development policy, which remained a precondition for economic growth. For example, the Thai government had to assure the IMF that the social safety net framework, designed to assist the unemployed, would not hamper the flexibility of the labour market. For example, in several LOIs, statements regarding the Thai labour market were made, as found below:

> …In designing the social safety net, we have avoided introducing distortions into Thailand's relatively free and well functioning labor market.
>
> (LOI, August 1998)

> …we have taken additional measures to augment the social safety net… while avoiding the kind of benefits schemes that could distort Thailand's labor market.
>
> (LOI, December 1998)

Hence, the IMF did indeed broadened the theoretical agenda of development economics, but it did so within the narrow framework, which used economic growth as the primary goal to which other objectives followed.

Furthermore, the World Bank's allocation of budget for social sector programmes was comparatively less than the financial and market sector. By October 1999, the World Bank's contribution to social sector programmes amounted to US$43 million (Shivakumar et al, 2000). In contrast, Shivakumar et al. (2000: 20) noted that the total allocation of the World Bank's fund to programmes on financial and market liberalization and regulatory reform was in access of US$2 billion.

Subsequent support of the Miyazawa Fund reinforces that the fund from the IMF were not adequate to resolve the social problem and implication of unemployment. The Japanese government contributed 53 million baht, as attached to the Miyazawa Scheme, which focused on fiscal stimulus and alleviating social stress (Ministry of Finance, 1998; Bangkok Post, 1 April 1999). At the time, the People's Liberation Alliance urged the Thai government to impose a moratorium on foreign debt, and not to comply with the IMF conditions in relation to adopting a tight fiscal budget (Pongpaichit et al., 2000). This compelled the government to seek an alternative source of funding. The Miyazawa Scheme counterbalanced the western influence and the initiatives drawn upon the Bretton Woods organizations. Compared with the IMF packages, the Miyazawa Scheme focused on macroeconomic stimulation, increasing public sector employment to boost domestic demand (Ministry of Finance, 1998). The Miyazawa fund rules stipulated that the borrowing countries could not use these funds for the debt-service payment (Bangkok Post, 1 April 1999). As a result of the Miyazawa Fund, the Thai government assistance to employment generation in 1999 amounted to an average of 18 days of work for 3.5 million people (World Bank, 2000: 8).

4.3.5.1 Labour and Social Welfare Effects

The case of Thailand demonstrates important effects of incremental change. In both the acceptance and the subsequent challenge towards neoliberalist thinking, the model of change can be described as *institutional drift* (Streeck and Thelen's, 2005). Jacob Hacker's (2005) notion of drift provides a revealing example of the "less visible, but no less consequential forms of institutional change" that occur without apparent changes in the policy structure (Hacker, 2005, 45). By policy 'drift', Streeck and Thelen (2005) documented how institutions need to be "re-set and re-focused, or sometimes more fundamentally recalibrated and renegotiated, in response to changes in the political and economic environment in which they are embedded" (Streeck and Thelen, 2005: 24). For Thailand, the immediate post crisis period of the 1997 Asian financial crisis presented a disjuncture of sudden shift in contextual conditions. The Thai developmental state failed to adapt and cover a set of risks that increased in salience. These risks included those faced by workers external to the formal system and the gap existing between the different sectors of the economy as well as the separation between economic productivity and social risks. This effect is particularly linked to the labour market outcomes and labour force characteristics of Thailand during the 1997 financial crisis. As a result of the financial crisis, the trend toward an increase in the percentage of workers who were employed in the formal economy[58] was interrupted in 1998. The unemployment rate jumped during the crisis from 0.9 per cent in 1997 to 3.4 per cent in 1998 (Krongkaew, 1999). The highest unemployment rate was 4.08 percent in 1999

[58] According to the ILO Key Indicators of the Labour Market, employed persons can be grouped into several categories according to their status in employment. For Thailand, these are grouped in three categories: (i) employees or wage and salaried workers, including both government and private employees, (ii) self-employed workers including employers, own-account workers and members of producer's cooperatives and (iii) contributing family workers. The classification for members of a producer's cooperative was added to the labour force survey in 2001, for consistency with the International Classification of Status in Employment 1993 of the ILO. The small number of workers in the category for Thailand is believed to be due to the fact that most members work in cooperatives as a second job, whereas they are classified on the basis of status in their primary job.

(Krongkaew, 1999). At the same time, the proportion of women employed as contributing family members increased.[59] Workers laid off from the formal sector and paid employment increasingly found opportunities for work in the informal economy and self-employment.

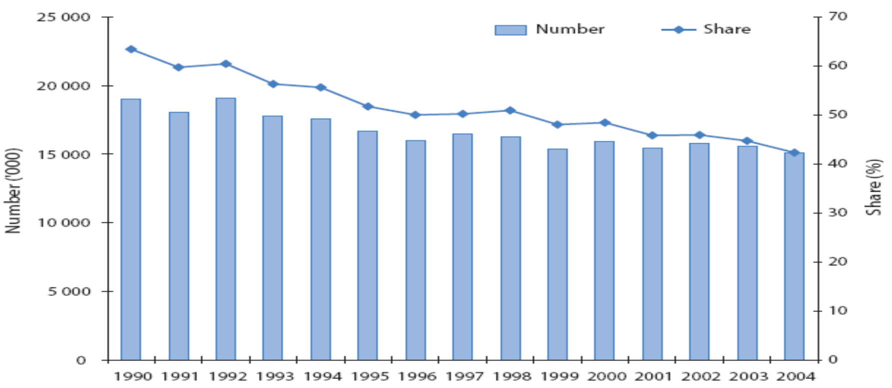
In terms of Thailand's market sectors, the crisis led many workers to move from the non-agricultural sector back to the agricultural sector (Chomthongdi, 1998). This incidence appears to be a disjuncture to the industrial process of Thailand, which assumes that the indicator for employment by sector describes the movement of jobs in the economy in accordance with the stages of development. According to the typical pattern of industrial classification, a country starts developing as an agriculture-based economy (Parnwell, 2002). The more the country develops, the more it becomes industrialized. The service sector also grows as the country further develops. The structure of the labour market adjusts accordingly. In other words, the proportion of persons engaged in agriculture, high at the beginning, shrinks as a country develops, while the proportion employed in industry and services grows (Parnwell, 2002).

In Thailand, while industrialization has had significant effects on the employment in the agricultural sector since the 1960's, the financial crisis that began in Thailand in late 1997 had a reverse effect. During the period of 1993-1996, the number of workers in the agricultural sector decreased from 15.87 million to 13.95 million, a decline on the average of 642,326 persons annually (Parnwell, 2002: 24). In 1997, when the crisis first hit, the number of workers in the agricultural sector increased to 14.14 million people (Parnwell, 2002: 24).

[59] In Thailand, a large share in self-employment often accompanied employment in the agricultural sector or the informal economy (Parnwell, 2002). Contributing family members were common among women in households in which other members are self-employed, especially farm production and family businesses. Unpaid family workers were often associated with agriculture and poverty in the face of sluggish economic development (Chomthongdi, 1998).

The majority of workers returned to their home provinces to seek livelihood in the agricultural sector. By late 1998, a trend of reverse migration had begun from rural to urban areas (Chomthongdi, 1998; Parnwell 2002). The reverse migration of retrenched workers, who had initially made a journey to their home villages at the onset of the crisis, reflected the constraints of the labour market in the agricultural sector as well as the limited ability of home village resources to absorb the urban unemployed (Parnwell, 2002; Rigg, 2002). It is also important to note here that the market based single crop culture along with the cyclical nature of agriculture has long been recognized by the nation's civic groups and rural based movements as the root cause for underemployment, shifting or seasonal employment (between rural and urban areas during the dry and wet season)[60] and the result in unstable income and lack of income diversification within provincial localities (Krongkaew, 2002). Furthermore, the adverse outcome of the financial crisis had also imposed upon the farm sector not only the burden in looking after family members who returned from job losses, but also the impact of inflation and a slowdown in economic activities which led to decreased income (Krongkaew, 2002). Under these conditions, it is important to consider what were the measures of protection for these marginalized workers. The next section elaborates on this detail.

Figure 4.2 : Number and share of employment in the agricultural sector, 1990 – 2004.



Note: These data are calculated using ISIC–3.
Source: National Statistical Office: Thailand labour force survey, Round 3 (August 1990–2000) and Quarter 3 (July–September 2001–2004).

[60] Unemployment usually increases during dry season and falls during wet season (Parnwell, 2002).

4.3.5.2 Social Protection for Workers in Thailand

Most of the provisions during the 1997 financial crisis fell under the first and second orders of change (as found in the table below and elaborated in detail in this section). Peter Hall (1993) describes first and second order changes as cases of 'normal policymaking' (Hall, 1993: 279), that do not necessarily precipitate to a change of policy paradigm. In the context of the 1997 financial crisis, first and second order changes retained the broad continuities of the neoliberal policy paradigm.

Table 4.4 Changes of the Thai Developmental State During the 1997 Financial Crisis

Specific Changes	Order of Change	Description of Change
Public expenditure priorities	1st Order	Changes in the level of priority to social dimension of economic growth. Expenditure was redirected to fields of 'social safety net'
Labor Protection Act (1998)	2nd Order	Protection for the unemployed that replaced the absence of unemployment insurance under the Social Security Act (1990)
Social loan package	2nd Order	Social sector loan programmes were aimed to protect the unemployed and marginalized workers. However, bias was found in the used of the loan. (Details are elaborated below.)

Source: Documentary data analysis

Under the first and second order changes during the 1997 financial crisis, many of the initiatives were temporary. As such, Lee (1996: 57) makes the pertinent point that it is inaccurate to regard the projects that were implemented during the financial crisis in response to emerging problems as 'social safety nets', the term used by the multilateral institutions and the government concerned. The programmes did not provide basic income support but only temporary relief to those in need. They covered only temporary contingencies. Importantly, the critical task of initiating social protection came from multilateral organizations, and not the Thai state.

For measures that were adjusted from previous context before the financial crisis, provisions were inadequate. For example, prior to the crisis, the unemployed had access to a small severance payment,[61] and a benefit provision under the Social Security Act. However, both provisions did not meet the needs of the unemployed. The unemployment insurance section, under the Social Security Act (1990, 1994) was supposed to be initiated in 1996 but it was not enforced during the crisis period (the Nation, 26 August 1998).[62] Meanwhile, protection for the unemployed existed under the *Labour Protection Act of 1998.* They included: severance pay, provident fund, and employee welfare fund. Not all firms, however, were required to establish a provident fund since the Provident Fund Act of 1987 states that Provident Fund was voluntary.[63] The Employee Welfare Fund was established to provide welfare for workers whose employment is terminated due to death and other reasons. Record of the Labour Force Survey in 1999 shows that only 15% of Thai workers reported protection under the Labour Protection Act. Small enterprises were not covered under the Labour Protection Act, while 43% of employees in medium sized enterprises (10-99 employees) were covered by the Act (World Bank, 2000: 42).

During the financial crisis, severance pay and employee welfare benefits were not provided for employees. Records showed that a number of employers either could not pay or avoided

[61] In Thailand, severance payments were based on the length of working service. For instance, employees with ten years or more of service were qualified to receive a payment equivalent to six times of the last month's salary (the *Nation*, 26 August 1998). Unskilled laid-off workers in Bangkok with ten years or more of service would receive approximately 42,120 Baht (the *Nation*, 26 August 1998). At most, it is estimated that these unemployed people would be able to feed their family for six months with the amount of compensation received. Concerns remained however if a new job was not obtained during the allocated period, there were no other means of formal support for workers and their families.

[62] Demands were made to the government at the onset of the crisis, by a number of grassroots NGOs and women workers' groups, but they received no response (Pongsapich, 1999). In addition, the increase in the minimum wage rate, which was supposed to be approved twice a year, was also suspended from early 1999 until mid-2000.

[63] Provident fund was voluntary and is established mainly in large enterprises in Thailand. Agreements have to be arranged between employers and employees to set the fund committee that overseas the provident fund (Kajanaphoomin, 2004)

paying the severance payment at the beginning of the crisis (Kokit, 1998; Suksiriserekul, 2000; Parnwell, 2002). It was documented that laid-off female workers from the manufacturing sector in Bangkok protested in front of the Government House for nearly a year because their employers had refused to grant them the severance payment (Kokit, 1998). Employers used Section 75 of the Labour Protection Act to avoid severance pay, which states that: In the case that it is necessary for the employer to temporarily halt its operations wholly or partially for any cause other than for force majeure, the employer is allowed termination of employment and shall pay 50% of the normal working day's wages that the employee received before cessation of operations. Furthermore, in the case that companies temporary halted their operations because of the financial crisis, enterprises claimed that termination of employment was necessary (Bangkok Post, 1999). In effect during the crisis, employers also reduced wages of workers, which led to underemployment conditions. When employees did not agree to the 50% pay cut and decided to leave, employees did not have to provide severance payment (Department of Labour Protection and Welfare, 1999).

The implementation of the Labour Protection Act also posed another problem regarding coverage during subcontracting. Protection was not provided when work was subcontracted since companies treated subcontractors as service providers. Herein, the arrangement acknowledges only the exchange of services and not conditions for the workers (Pongsapich et al, 2002: 340). Under section 22 of the Act, "work performed at home" is considered a form of subcontracting, thus homeworkers were exempted from the provision and were not protected under the Labour Protection Act as well (Department of Labour Protection and Welfare, 1999).

For those who were not eligible to benefit from the Social Security Acts of 1990 and 1994, the Thai government secured US$ 2.8 billion of funds known as the 'social loan package' in order to protect the unemployed and other disadvantaged groups from negative impacts of the crisis (World Bank, 1999). The main funding agencies of the social loan sector were the Asian Development Bank (ADB), the World Bank and the Miyazawa Initiative Plan of Japan. The social loan funds were distributed broadly into three main areas: 'employment generation', 'income generation' and 'improvement of quality of life' (Phongpaichit et al., 1999). Nonetheless, limitation and bias were found in the use of the social loan funds. For example, the employment generation scheme tended to marginalise unemployed women and elders. Exclusions related to the nature of public work, which for example required manual force such as repairing small irrigation drains, and which prevented women and the elderly to participate (Pongsapich, 1999). In effect, the contribution of the 'social sector loan' programmes only enabled the government to maintain a minimal level of welfare and social security which were found before the crisis period.

By the end of 1998, the Democrat Party government had to launch activities to sustain an income level, sufficient for the survival of the unemployed and to match the benefits and compensation to which the unemployed were entitled under the Severance Payment Scheme and the Social Security Act (1990, 1994).[64] Other small budgets were also made available from which the government could allocate funds to improve the ability of the unemployed to start up self-employed businesses. These assistance funds consisted of around 10,000 grants, worth 10,000 *Baht* each (NGO Networks on Labour Issues, 2000). However, experiences of the unemployed in the northeast rural provinces reported that few laid-off workers knew of or

[64] In the Letter of Intent No. 5 (September 1998), the government had to assure the IMF that the social security framework, designed to assist the unemployed, would not hamper the flexibility of the labour market (Pongpaichit et al., 1999).

had access to these funds, because of the lack of adequate dissemination of information. Similarly, the implementation of other compensation schemes by the DP government was intended to begin on 1 October 1998, but they actually became effective around mid-1999 (Parnwell, 2002). Likewise, because of the poor dissemination of information, laid-off workers who had already returned to their home villages did not get the benefits (Suksiriserekul, 2000; Parnwell, 2002). In sum, the limited capacity of the social safety net and social provisions in Thailand illustrated that the social provisions established during the crisis were insufficient to provide basic services and to meet the basic needs of the unemployed and other disadvantaged groups who were affected by the contraction of the domestic labour market.

4.4 Changes in the Thai Developmental State

Mishandling of the 1997 Asian financial crisis by the IMF, and the failure of a predicted recovery from the recessions that followed in the wake of the crisis had the effect of proving that the Washington Consensus did not provide the answer to economic and social recovery (Jayasuriya and Rosser, 2001: 381-96) Following the failure of the WC and the Augmented WC,[65] there was an imperative for a balanced role between the government and the market. Contrary to previous IMF prescription, the Thai government considered active intervention in resource allocation, including the promotion of infant industries to play an important role in promoting the development of these economies.[66] In recognizing market failure, characterized by flows of imperfect information, state intervention was deemed necessary to promote the development process (Lo, 2003). For this reason, there was an important role of government in Thailand, not only to address market failures, such as controlling conflicts of

[65] The World Bank study (2005) provides evidence to demonstrate that institutional improvements in the direction of the Augmented Washington Consensus did not necessarily lead to growth.
[66] Active interventions included border protection, subsidies, and state enterprises (Lo, 2003).

interest and ensuring the safety and soundness of the financial system, but also to promote equity and provide safety nets.

The Thai developmental state recognized that market forces were no longer the sole distinguishable factors that can induce economic growth for the country. While state intervention aimed at improving international competitiveness played distinctive role in domestic economies, bureaucratic directives were also needed to ensure economic success. In particular, the rule making power of state bureaucrats directed economic rules of 'governed markets' (Wade, 1990). This convention goes against the neoliberal model, where economic transactions are driven by utility maximizing consumers. Rather, the strategic power of the Thai developmental state lay in its capacity to institutionalize collaboration between the state and the market.[67] State intervention was deemed critical in facilitating the function of the market. Thus, the values and ethos of 'regulated capitalism' gradually underlined the Thai developmental state, where political factors, not the market, shape the pace of developmental strategies through the particular structure of the state-society relations (Pempel, 1999; Jayasuriya, 2000).

[67] The developmental model of economic governance is based on cooperative relations between political power and the private sector, as well as between banks (Hollingsworth et al., 1998). In Korea, these private firms consisted of chaebols. In Thailand, business association included Thai-Chinese family corporations (Phongpaichit et al., 2002). A significant degree of institutionalized coordination allowed for a certain level of political insulation. In East Asia, political insulation is based more on bureaucratic autonomy, i.e., bureaucrats who direct the MITI in Japan or the Economic Planning Board of Korea (Johnson, 1987). In Southeast Asia, political insulation pertained more to political leaders and parties, where these political actors set the policy agenda for civil servants to follow. The associated set of institutional and political structure allowed for effective state intervention in industrial policy and for the state to drive national goals (Onis, 1991). In general, this institutionalist perspective of developmental states pointed towards the importance of the balancing act of the state in the development process.

4.4.1 The Different Levels of Change

The previous section elaborated on how the 1997 Asian financial crisis deflated the belief in purely market mechanisms for governing the economy, and a shift to a more active role for the state in governance. The significant reorientation of the Thai state is claimed as a reaction to the neoliberalism that weakened the Thai economy during the crisis. This section discusses how the post crisis Thai state increasingly put more emphasis on active developmentalist role.

The changes that took place following the crisis could be understood as both normative and institutional shifts. Following the failed neoliberal premise, the Thai government examined ideas to diagnose the uncertainty around them and constructed specific institutional solutions to that uncertainty. This section traces the structural notion of institutional change by highlighting the constitutive role of ideas within such transformation. It also draws attention to the main institutional shifts, which could be detected in several developments. These included the shift in emphasis in the National Development Plans, the adoption of a new 1997 constitution, and the movement towards localized development and decentralization.

Hall (1993) makes the point that first and second order changes do not necessarily lead to third order change (Hall, 1993: 279). However after the 1997 financial crisis in Thailand, first and second order changes were accompanied by a significant reorientation, in which the overall goal of the policy was different from the previous setting. This departure of what was there before, was not a wholesale transformation but was marked by a shift from growth-oriented developmentalism to localized developmentalism.

Table 4.5 Changes of the Thai Developmental State After the 1997 Financial Crisis		
Specific Changes	Order of Change	Description of change
8th and 9th National Development Plans	1st Order	Adjustments in the content of the plans with focuses on 'people-centred development and support for the rural economy.
The 1997 Constitution	1st Order	Adjustments in the content of the constitution with emphasis on public participation and community interests
The Tambon Level Administration	2nd Order	Changes toward local government and decentralization
Dual Track Policies	2nd Order	Introduction of new policies that aimed to promote domestic led growth
Localized Developmentalism	Intermediate order: 'policy recalibration'.	Layering of policy discourse associated with the Introduction of 'sufficiency economy', people participation, and domestic led growth

Source: Documentary data analysis

Following the 1997 financial crisis, adjustment of the content of the 8th and 9th National Development Plans are classified as first order change (Hall, 1993) since they were made in response to the consequences of past policy and new developments within the country. Meanwhile, adjustment of the 1997 Constitution was deliberately formulated to address outcomes of past policy. Both the constitution and the national developmental plans are not new measures but what mattered and precipitated change was that the content of both instruments supported conventions of a different reorientation towards 'localized developmentalism'. On the other hand, change toward the use of *tambon*[68] level administration and the dual track policies are classified as second order change (Hall, 1993) because it concerns changes in the techniques used to attain a new goal of the policy.

[68] Tambon is the smallest local administration of the country. Department of Local Administration http://www.thailocaladmin.go.th/ (accessed 15 October 2010).

Between the different levels of change, there was a new element which was not part of the original paradigm that was being layered on to the old paradigm. In Thailand, following four years of embrace of the IMF sponsored neo-liberalism, the economic model encountered serious challenge from policymakers. Severe effects consisted of the decline of domestic consumption. GDP growth declined from -1.4 per cent in 1997 to -10.5 in 1998 (Krongkaew, 2002). Other negative results included resistance from domestic business as ownerships of Thai companies were transferred to foreigners. As a result, the DP government was seen as losing its own autonomy by promoting the sales of domestic businesses to foreigners (Phongpaichit et al., 2000). Intense focus on fiscal discipline, external stability and financial restructuring brought upon domestic discontent and a broader attack on the IMF programme (Bello et al, 1998). Meanwhile, coalitions were building up in questioning the neoliberal paradigm. By mid 1998, domestic businesses called for national debt moratorium insisting on debt relief for local firms. The farmers' organizations, for instance, called for agricultural debt relief from the government (Bangkok Post, 25 May 1998). The main rhetoric was that the government was negligent of domestic interests while accommodating to foreign and international appeal (Wongkhum, 1997). The challenge of neoliberalism in Thailand also came from the left nationalists, who advocated for government's protection of domestic market and the use of domestic savings instead of foreign investment (Wongkhum, 1997). A proposal was made for Keynesian style economics that claimed the state should have increased public expenditure in order to stimulate consumption (Bello et al., 1998). At the time, a new political party – the Thai Rak Thai (TRT) also appealed to the sentiments of local businesses and farmer's resentment towards the government. Business nationalism and rural populism became strong and lessened the support of neoliberalism. The evidence gives support to coalition building around additional ideas.

These ideas did not represent a complete wholesale transformation of 'third order' change (Hall, 1993), with discontinued policies as the outcome.[69] Rather, it was an intermediate order of change that entailed an expanded focus of economic growth, not only derived from foreign investments and exports, but also growth from the domestic economy. This thesis considers the ideational adjustment to be a 'paradigm recalibration'[70] that involved a broader rethinking of Thailand's developmental path. The 'paradigm recalibration' offered a new response to the problems of unemployment and the absence of protection for the informal sector, as elaborated in the next section.

4.4.2 Variation from the Liberal Discourse: Localized Developmentalism

In pointing out the functional roles of ideas and their institutional effect, Blyth (2002) claimed how new ideas challenge accepted views of the economic world and the distributional outcomes. Preventing the disadvantaged from becoming vulnerable was a normative underpinning of the post crisis developmental state of Thailand. Another tenet lay in capability building as the principle goals of development rather than the principles of market competition and the accumulation of wealth. In this case, additional ideas and interpretations were drawn from alternative developmental thinking, which were based on localized visions of development. These visions focused on qualitative aspects of development with the aim of reviving community development and reversing the trend of world market constraints and the widening income distribution. In the general sense, an elaboration of localized visions of development could be traced to 'post-industrial economics', 'grassroots postmodernism', or Gandhian mode of production (Daly, 1996). In

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[69] Past policy goals of economic liberalism were not discontinued but were adjusted.
[70] A 'paradigm recalibration, and not a 'paradigm shift' as described by Peter Hall (1993).

Thailand, His Majesty the King Bhumibol Adulyadej's concept of Sufficiency Economy represented the endogenous vision.

H.M. the King's initiative on Sufficiency Economy was introduced following the 1997 financial crisis (Krongkaew, 2002). It aimed to combat the impact of the 1997 financial crisis, and to alleviate poverty, by two associated strategies: self-reliance and sufficiency (Krongkaew, 2002). In terms of self-reliance, several means could be achieved by the community. These included replacement of external production materials with local ones, use of local wisdom to create income- generating activities instead of adopting unfamiliar techniques, reliance on local sources of funds instead of external borrowing, community self-management instead of reliance on external support and government assistance, and emphasis on building social capital along with economic capital (Krongkaew, 2002). As for the concept of 'sufficiency', communities could try to ensure adequate production for household consumption by producing commodities that were marketable.[71] Sufficiency was regarded as the key to poverty reduction strategy (Krongkaew, 2002).

In discussing the causal effects of ideas, Blyth (2002:40) claimed that ideas act as institutional blueprints. Ideas can guide the form and content of institutions that agents should construct to resolve given economic crisis (Blyth, 2002: 40). Accordingly, the spirit of the Sufficiency Economy became the guiding principle of the Ninth National Development Plan. At that time, the Thai government became more careful about how to generate and manage economic growth. Furthermore, the Ministry of Interior adopted the strategy of a Sufficiency Economy and gave support to 50,093 vocational groups with 531,989 members and 3,425 community business groups (UNDP, 2003). The private sector also supported the

[71] Adequate production is meant to reduce households going into further debt and loan borrowing.

initiatives of the Ministry of Interior, by helping community businesses such as community rice mills and rubber-processing plants, to upgrade the quality of products and to plan marketing strategies. The subsequent One Tambon One Product (OTOP) Policy was also a government initiative that directly related to Sufficiency Economy, which encouraged communities to combine independent work and self-employment.

4.4.3 First Order Changes

4.4.3.1 The National Development Plans

Along with normative adjustment, institutional changes could be detected in the Thai context following the 1997 financial crisis. The Eighth National Plan (1997-2001) and the Ninth National Plan (2002-2006) marked a break from its predecessors, in terms of its contents. Prior national development plans focused on market based growth and economic expansion, as well as state-centered developmental governance which was principally based on industrialization (UNDP, 2003). Primarily, the Eighth Plan focused on the shift from a growth oriented development to people-centred development. Measures of promoting the capabilities of communities to play active roles in local development were seen in specific proposals for example, training community leadership, funding changes of the community budgets, community-based social protection, and fiscal incentives for businesses to work with communities (UNDP, 2003). Meanwhile, the Ninth Plan aimed to balance the aspirations for people-centred development with the realities of recovering from the economic crisis. Given the emphasis on crisis recovery, the Ninth Plan adopted H.M. the King's philosophy of *sufficiency economy* as "the guiding principle of national development and management". The importance of the community was traced to efforts of reviving agriculture and promoting rural growth, and in encouraging local communities' capacity to manage their own economic and social development in partnership with public and private sectors. The Ninth Plan supported community enterprises and networks between community organizations. It also encouraged communities to develop local education consistent with local wisdom and culture and to have participative community planning. In effect, the role of the community related extensively to the rural economy and development.

It must be noted that support for the rural economy was a major change from prior development, especially during periods of military coup[72] before the crisis, at which time political leaders adopted a strategy of benign paternalism towards rural demands ('don't make trouble, we will look after you') (Phongpaichit et al., 2001: 47). Hewison (2000) observed that the lack of developmental benefits propagated in the rural areas was by no means limited to Thailand's developmental paradigm, however, since most developing states had the dominant center-periphery structure, where political and economic power were overwhelmingly concentrated within the control of urban populace. Yet, the need to bridge the widening developmental gap between urban centres and rural peripheries was not envisaged by Thailand's successive governments. In summary, the shifts in the Eighth Plan and the Ninth Plan were significant in restoring uneven development.

4.4.3.2 The 1997 Constitution

Another institutional shift that can be traced following the 1997 crisis period was the new constitution. The 1997 constitution was different from past constitution in that it upheld public participation and community interests (Jumbala, 1998). The Constitution Drafting Assembly (CDA) set up a public hearing allowing 600,000 people to give their opinions on

[72] The coup before the crisis took place around 1992 during army general Suchinda Kraprayoon's rule (Phongpaichit, 2000).

the initial proposals, while over 120,000 attended public hearings on the final proposals and 87,000 responded by questionnaire (UNDP, 2003). The Constitution enshrines rights relating to community empowerment. The Chapter on the Rights and Liberties of the Thai People had been adjusted to cover more wide-ranging matters than previous charters (UNDP, 2003). Section 46 of the constitution was the result of NGO lobbying for community rights, including rights of access to natural resources. In addition, a new chapter was added to the constitution, *Directive Principles of Fundamental State Policies,* which mandated the state to strengthen local communities and to promote community participation in national decision-making (The Constitution of the Kingdom of Thailand, 1997). Accordingly, the state was to encourage public participation in economic, social and political development plans, thus allowing the exercise of state power to be examined. Finally, an important addition to the 1997 constitution resided in the inclusion on decentralized power. Section 78 mentioned that:

> *The State shall decentralize powers to localities for the purpose of independence and self-determination of local affairs, develop local economics, public utilities and facilities systems and information infrastructure in the locality thoroughly and equally throughout the country as well as develop into a large sized local government organization a province ready for such purpose, having regard to the will of the people in that province.*
>
> (The Constitution of the Kingdom of Thailand, 1997: Section 78)

Tangsupvattana and Prudhisan (2005) attributed the changes in the 1997 constitution as replacing the interest based politics and crony capitalism that afflicted pre-crisis period. By strengthening political institutions, particularly political parties, the Thai government was meant to undergo gradual restructuring and bureaucratic reorientation in the context of reforms. On a structural basis, the government's role was to eventually be that of coordinator and facilitator of development and policies rather than that of the initiator. As such, institutional redesign of the government's role and the adjustments in the constitutional content marked the first order changes (Hall, 1993) in Thailand' policy environment.

4.4.4 Second Order Change: Decentralization & the Tambon Level Administration

The 1997 Constitution included decentralization among the directive principles of state policies (Section 78). It entrusted local government bodies with powers of policy-making and fund-raising, which included duties to "conserve local arts, custom, knowledge or good culture" (The Constitution of the Kingdom of Thailand, 1997: Section 78), and to protect the environment and natural resources. The constitution mandated new legislation to implement these principles, including the establishment of a committee to draw up and implement a decentralization plan. The goal was to transfer power within four years to those local administrative bodies that could demonstrate their readiness. The legislation was passed in 1999, and its plans were approved in 2001. All Tambon Administrative Organization (TAO) members were now elected by the same electorate as members of parliament.[73] The share of local government's revenue rose to 20 per cent in 2001 and 35 per cent in 2004 (ILO, 2004: 13). The plan also pursued a mechanism for gradually transferring 245 responsibilities from 50 departments in 11 ministries to the local authorities (NESDB, 1997). Fundamentally, the choice of using tambon as the platform for decentralization suggested the need to transfer policy making authority and necessary financial means from the central government to the regional governments, and to replace the structure in which heads of regional governors were appointed by the central government rather than by direct public elections.

[73] Before, village headman (kamnan) stood to lead each village. Village headman derived their power from influence, money, and followers within the village. These village heads lost their ex official membership of the TAO councils between 1999 and 2001 (UNDP, 2003). Each village elected two TAO members, and each tambon consisted on average of 9-10 villages (ILO, 2004: 9).

This was a dramatic change in the framework of local government. The TAOs were close to the base of the governmental structure. A *tambon* is the smallest unit of local governance in Thailand (Department of Local Administration).[74] There are around 7,200 tambons (ILO, 2004: 5). The average size of a tambon is about 6 by 6 km, and the average number of households is around 1,000 (ILO, 2004: 5). Prior to this change, many of the tambons had an annual income of less than 3 million Baht (ILO, 2004: 9). Generally, half of the income was available for development and maintenance of infrastructure (i.e., roads, water, etc.) within the tambon. Yet since the tambons became elective bodies, the TAO budgets became increasingly important for public investment because they expanded in combination with more administrative responsibilities. The potential of this decentralization for community empowerment was significant.

Empowering the TAO was meant to provide the formal integration between the government and civil societies or community based groups. This intention of gradual empowerment was the first major effort in Thailand's political history to challenge the old special treatment of business-politicians ties that thrived in the era of 'democratic cronyism' before the 1997 financial crisis. In this case, civil society or community based groups balanced the political power of the state and the market forces of business (Tangsupvattana and Jumbala, 2005).

In summary, Thailand selected the tambon as the level for democratic decentralization. The selection of a relatively small unit had the advantage that communities would become closely involved. Nonetheless, there was also the risk that the Tambon Administrative Organization (TAO) would become ineffective because of weak management resources, subordination to

[74] Department of Local Administration (website) http://www.thailocaladmin.go.th/ (accessed 15 October 2010)

the bureaucracy, and capture by sectional local interests (UNDP, 2003). Insight to specific policy which directly concerned the TAO would demonstrate what actual decentralization entailed. For this reason, the One Tambon One Product (OTOP) was chosen as a case in point for this research study. Specific detail and findings of the OTOP policy are elaborated in the next chapter.

4.5 Thai Rak Thai's Developmentalism

Thailand's developmentalism was distinct in important ways because of the special feature of the Thai economy. Thailand had pursued trade and financial liberalization for many years. Following the shift to localized developmental alternatives, the Thai Rak Thai (TRT) government's policy was not to withdraw from the open economy, but maintain its trade liberalization while strengthening the country's self-reliance. In parallel, the government had to protect its domestic capital not by outright trade protection but by other legal barriers such as restrictions of foreign investment. Localized developmentalism remained a strong influence during TRT's government, nonetheless there were caveats of promoting decentralization. Even the TRT government saw the lack of capacity in policy making and implementation among community and local governments as an obstacle. The following section traces the distinct feature of Thailand's developmentalism under the TRT's government.

4.5.1 New Social Contracts Under the Thai Rak Thai Government

Hall (1993) notes that for a shift to occur, the outcome depends on the locus of authority over policy as well as the positional advantages of the political actor. For Thailand, significant active role in developmentalism was traced to the Thai Rak Thai (TRT) government, which won the election on 6 January 2001 (Phongpaichit & Baker, 2004: 16). The TRT party was established by premier Thaksin Shinawatra. Electoral triumph was based on a populist platform of economic growth and rural development. Promises were made to the rural poor and the domestic capitalists, acknowledging the need for a strong role of the state in securing credit allocation and boosting the domestic market (Baker, 2005; Rodan et al., 2001; Phongpaichit and Baker, 2004).

For Thailand, the TRT recognized that problems from the 1997 crisis ensued from the previous government’s upholding of the neoliberal economic model to the extent that the country’s own strength was bypassed and the cultivation of its own development path was overlooked (Vinyaratn, 2003). As a result of following the neoliberal policy package, the country depended on external influences, which increased its vulnerability. To correct the situation, the TRT government recognized the need for strong state power in the developmental process. As the government shifted away from the neoliberal model of letting the market govern as proposed by the IMF, it moved towards a reshaped role of the state in the economy characterized as ‘active developmentalism’ (Kitthananan, 2004; Deyo 2000; Phongpaichit and Baker, 2004). This type of developmentalism is distinct from the East Asian Economic Model (EAEM) developmental reproduction. Somkid Jatusripitak, the former Finance Minister in 2001, noted how EAEM relied primarily upon foreign direct investments (FDIs) and export oriented industries as the main catalyst of economic growth (The Nation, 24 August 2011). On the other hand, the TRT government focused on supporting small and medium business enterprises in order to expand the internal market so that economic growth was strengthened from within (The Nation, 24 August 2001). Lian (2003) also identified how TRT’s initiative to adjust Thailand to the globalization of international trade environments stood out against the EAEM model which had to compete against the expanding export pricing of Chinese industries. By promoting the small and medium enterprises, rural development participatory based policies became an important element of maintaining economic resilience from the risks of the global deflation threat and the intensification of the 'global deflation-biased mass manufactured export battles' (Lian, 2003).

Along the path of retaining both global and domestic growth and competitiveness, the TRT government pursued the 'dual track plus' policy (Hewison, 1997a: 8). The first track focused on mass manufacturing drawn from foreign direct investment, while the second track emphasized neo-Keynesian policy that encouraged the strengthening of the domestic economy and the grassroots (Phongpaichit and Baker, 2004). The emphasis on the second track was distinctive in that it gradually shifted the Thai economy from export dependence to increasing reliance on the domestic economy (Looney, 2004). Here, the government played a proactive role in protecting and promoting domestic firms in order to compete against more advanced economies. It controlled the sources of capital funds and channeled them to selected sectors of the economy.

In order to boost the domestic economy, the government also introduced the new social contract that aimed to deliver social and political stability, which was required for the domestic capital to rebuild its power (Brown and Hewison, 2004; Phongpaichit and Baker, 2004). The 'new social contract' of the Thai state supported the development of social welfare provision, and put forth a central role for the government (Brown and Hewison, 2004; Phongpaichit and Baker, 2004). Previous social contract prior to the crisis, on the other hand, was drawn on private capital with the supposed benefits meant to be trickling down to the poor (Hewison, 1997a).

Among the newly proposed social contract, specific policies that aimed to promote the domestic led growth included the following: One Tambon One Product (OTOP); One Million baht Village and Urban Revolving Fund (VURF);[75] Three-year debt moratorium (for small farmers to relieve their debt burden);[76] Small and Medium-sized Enterprise (SME) Bank; and the universal health care with a low 30 baht charge for treatment at public hospitals (Brown and Hewison, 2004). These policies made up the 'dual track' initiative elaborated further in the next section.

4.5.2 The Dual Track Policy: A Case of Institutional Layering

From a historical institutionalist perspective, the establishment of new policies following the 1997 financial crisis was not complemented by the elimination of old ones. Concerns about developmental welfare and social protection were layered onto policies addressing economic growth, productivity, and industrial development. As a result, developmental welfare was situated in multiple orders. These resided both in the political system and the economic system, creating processes of ideational and institutional layering. Thelen (2005: 33) suggests that the processes of change through which layering takes place can be explained by successive rounds of institutional reform achieved through ongoing political negotiation, with political coalitions and political conflicts in the background. The resulting processes create opportunities for readjustment of the power balance and necessitate re-interpretations of older policies. In the Thai context, the state's objective remained with the maintenance of economic growth. Despite that existing institutions were adapted to fit the interests of other

[75] VURF was financed by the Government Savings Bank (GSB) (Government Savings Bank http://www.bankthailand.info/GovernmentSavings-Bank.htm (accessed 17 May, 2010).
[76] The Bank of Agriculture and Agricultural Cooperatives (BAAC) financed the three year debt moratorium (The Nation, 24 August 2001).

actors such as the IMF and the World Bank during the crisis, the goal remained intact on macro stability.[77] However, the state created a new layer of policy on the edge of the core system. In such case, new development did not push further in the same direction but rather alter the trajectory of policy and politics and expanded the extent of structural change to cover other policy domain (i.e. from macroeconomic policies to social policies) (Thelen, 2005). Along with Thaksin's TRT party's attempt to secure a political base, change by layering was promoted by political cultivation and TRT's *dual track policy*.

During the TRT government, the neoliberal strategies proposed by the IMF were actually accompanied by the emergence of a stronger state which took a more decisive role in the domestic arena. As such, state activism remained a prominent feature of Thailand's political economy. The move towards the market suggested that pressures remained on the state to correct failures found in the market. For this reason, one witnesses different policy instruments employed by the state – such as the promotion of small and medium enterprises (SMEs), labour markets and social protection. Instead of seeking to impose specific industrial strategies on firms as it once did, state initiatives provided an enabling environment, especially for small and local businesses. Importantly, the outcomes were drawn from politically mediated forms of integration into a complex and changing global economic system.

Within the layering process, an important element in adopting new measures rested in securing an aggregation of different interests based on varying interpretations of the consequence of implementing new instruments (Streeck and Thelen, 2005). For example, it was important for TRT not to abandon the liberalization model, but also to amalgamate and

[77] The Bretton Wood institutions were players that were not originally in the design of the developmental state, yet they were not new players. They came into the picture since the oil crisis in the 1970s (Kitthananan, 2004).

to capture the different interests in the introduction of new social contracts. The political dynamic thus lay in obtaining consent from multiple actors with different conception and interest in the policy.

In point, institutional layering was an adaptive mode which seemingly fitted into the Thai culture, albeit similar to other Asian cultures that allowed states to avoid confrontation and consequences of direct opposition or the 'breaking of face'. Institutional layering allowed for exchange and objectives to be reached without explicit acts of resistance and defiance. This was seen in the outcomes of new policies, which were politically negotiated and mediated at the national level.

4.5.3 Addressing Labour Issues in Thailand

TRT's government intervention on domestic economy influenced the local labour situation. In general, TRT's government attempt at reform following the crisis was aimed for Thailand to pursue growth strategies that paid less emphasis on export of commodities produced by cheap unskilled wage-labour (Hewison, 2002). The government expressed the need for engagement with the knowledge economy, and the need for Thais to be entrepreneurial in order to capture value adding and increased productivity.

Following the crisis, there was a strong recognition in the limits of export oriented industrialization that relied on cheap unskilled labour. In order to meet the changing requirements of local industry and labour export market, the TRT government pressed for development in more productive workforce. While the TRT's government's focus on the labour front was engaged in competitive capitalism, the government also gave priority to domestic businesses over individual worker's rights. The government recognized that following the crisis, firms pursued strategies designed to reduce costs of production and wages in the face of competitive pressures. As a result, firms downsized their workforces and reduced wages and benefits, leading to subsequent unemployment (Porithat, 2001). Furthermore, firms also spatially relocated their operations in order to take advantage of cheaper labour (Porithat, 2001). This business restructuring led to problems faced by workers who struggled to retain jobs and to maintain their work conditions. Nonetheless, the government gave priority to domestic business and its need to reestablish competitiveness and reduced labour cost. In addition, the government aimed to foster entrepreneurial spirit and to create employment opportunities by further stimulating domestic demands. This is seen in the different schemes introduced during TRT's government such as the one million baht community fund, the OTOP programme, and the extension of credit to small and medium enterprises (SMEs).

Following the priority given to domestic businesses, the government then addressed structural issues including bureaucratic reform. The Ministry of Labor and Social Welfare was separated into the Ministry of Labor (MOL) and a new Ministry of Social Development and Human Security (Ministry of Labour, 2003a). The processes of data collection and statistical analysis were streamlined under the restructured MOL while the ministry also passed a law on the Promotion of Labor Skills and launched programmes to foster public-private sector cooperation to establish industry skills standard and develop the nation's human resources. Specific examples of the restructured initiative included a cooperative scheme between the Skills Development Department and universities to establish workplace schools and also increased training for vocational students (Brown and Hewison, 2004). In addition, the need to access developed country markets and increase the chance of investment required the government to focus on labour standards. MOL established a Labour Standards Project to educate employers on international practices and implications of trade sanctions and disputation (Ministry of Labour, 2003a). Also, the Thai government ratified the ILO Convention 182 on child labour and the ILO Convention 138 in 2004, and pushed for more socially responsible business sector by issuing the *Thai Labor Standards 2003: Thai Corporate Social Responsibility* document, which covered basic provisions and standards on labour (Ministry of Labour, 2003b). In summary, the TRT government addressed both the structural issues such as bureaucratic reform and labour standards as well as the labour issues in order to increase employment opportunities and promote investment.

4.5.4 Significance of the Change

Changes prompted during TRT's government were significant given that in Thailand, employment protection and benefits tended to cover those in the formal sector, basically medium and large scale industries, and not the informal sector. For workers of the formal sector, there was a social security fund for employees, to which employers, employees and the state contributed (Hewison, 1997a). This provided a degree of social insurance for workers and their families in relation to illnesses, accidents and old age. There was also a Provident Fund to help workers save for their later years (Hewison, 1997a).

On the other hand, the informal sector, especially small-scale industries and the agricultural sector, generally fell outside the application of labour law (Allal, 1999: 75). As such, informal sector workers in Thailand were not able to adequately self-protect against income shocks. Meanwhile, according to a survey undertaken in 1994 by the National Statistical Office (NSO) of Thailand, over 75 per cent of the total employed workforce in Thailand was in the informal sector.[78] Of this percentage, 97 per cent were in the agricultural sector (NSO, 1995). The informal sector accounted for 51 per cent of all enterprises in manufacturing, trade and service sectors (NSO, 1995). It also accounted for 22.7 per cent of all employed labour in the non-agricultural sectors compared with 20.7 per cent for the formal sector (Imudom, 2001). NSO statistics for 1997 on industrial and business establishments showed that employment generated by the informal sector in manufacturing, trade and service sectors was approximately 3.5 times that in the same for the formal sector. Furthermore, it was noted in the statistics that women found employment more in the informal than the formal sector (Imudom, 2001).

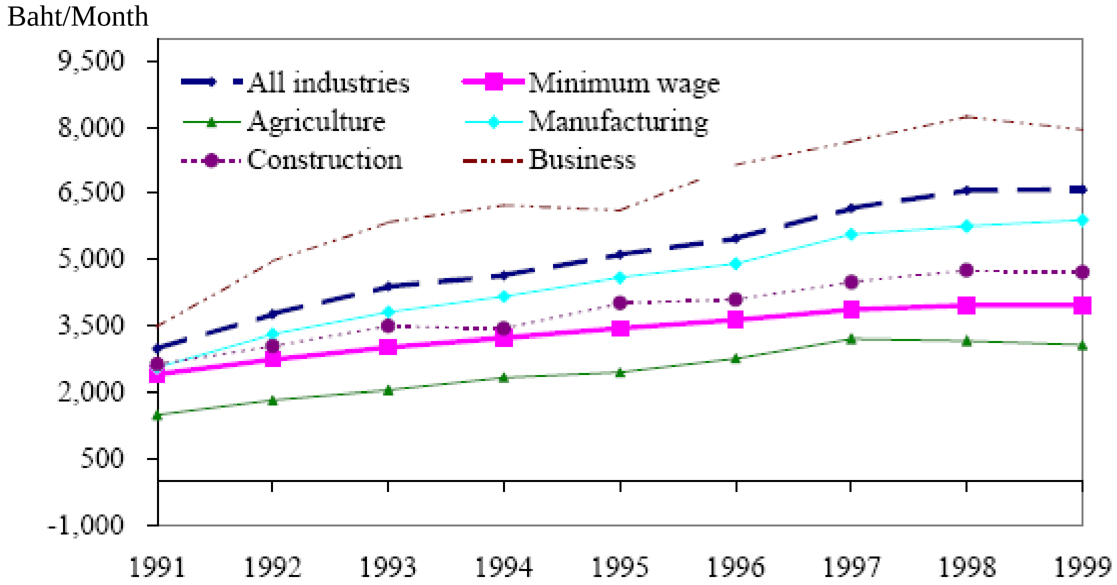
Vodopivec (2004: 180) notes that the factors which hinder extension of social protection coverage to informal sector workers are usually associated with the diversity, complexity, and obscurity of informal sector activities. For the most part, information on the extent and duration of unemployment is unmonitored and therefore unavailable. Also, workers in the informal sector fear participating in social security programmes in which their participation may expose them to irregularities and noncompliance with other regulations (Vodopivec, 2004: 181).

In the Thai context, deterioration in economic circumstances affected workers in the informal sector both in the urban areas and the rural areas. This is particular poignant when Thailand has a substantial rural population living at subsistence levels. The National Statistics Office

[78] Definitions used by the National Statistical Office (NSO) of Thailand were: (a) The formal sector: Organizations that have defined management and administrative systems, including government and private agencies that employ at least 10 persons; (b) The informal sector: Enterprises typically operating on a small scale with a low level of organization, low and uncertain wages, and no social welfare and security. The definition implied that enterprises in the informal sector employed one to nine workers. The definition did not refer to the legal status of an enterprise, that is, whether they were registered or unregistered. http://mospi.nic.in/informal_paper_09.htm (accessed 18 June, 2010). The workforce in Thailand for 1994 was approximately 36.9 million (NSO, 1995), hence, 75% of the labour force constituted approximately 27 million.

of Thailand used a random survey methodology in each province, based on respondent's self report of income and expenditure in the period spanning January to June in 2002, the survey reported that nationwide the average for earning was Bt13,418 (USD$320) monthly and for spending it was Bt10,908 (USD$220) monthly in the rural areas outside of Bangkok (NSO, 2002). Expenditure was mainly on "accumulated investments of sizable value" such as land and homes (NSO, 2002). On the whole, average income rose 5% on a year to year basis, but average household debt rose 12.6% compared to the year 2000, with farm workers reporting that expenses exceeded income by an average of 3% (Asian Market Research News, 2002). Furthermore, it is noted in the figure below that averaged wages classified by industries were above minimum wage in all industries with the exception of agriculture.

Figure 4.3: Monthly Average Wage Classified by Industries and Monthly Minimum Wage



Source: The National Statistical Office (NSO, 2000).

It is important to note that apart from the low wages of the agricultural sector, the Thai government policy tended to repress rather than foster freedom of association and collective bargaining in the form of trade unions and their federations. For example, state enterprises were unable to establish trade unions, as this right was taken away from them after the coup d'etat of 1991. The Thai Farmers Association, similarly, found it difficult to demand higher prices for their products, while the National Agricultural Council limited choice for the average farmers (Christensen, 1992).[79] Thus, without external support, workers in the agricultural sector, and in this regard overlapping into the informal sector, had to protect themselves and sought to diversified income sources. No single source was expected to provide sustained growth of income for the farmers. However, past social policies were unable to deal with problems that included increased inequalities and exclusion among informal workers and the underemployed. In addition, the boundaries between those who were employed and unemployed became more blurred by increases in atypical work. As such, the Thai state encouraged labour market opportunities and began to formalize labour market participation of women in the cottage industry. This is seen directly in the policy of One Tambon One Product (OTOP).

4.5.5 A Change of TRT's Developmentalism?

Comparison of Thailand's developmentalism, as depicted in table 4.5 below, demonstrates changes in content, particularly in *policy focus* and *policy orientation* over time. The period before the 1997 financial crisis reveals priority over economic growth similar to earlier mention of Mkandiwire's 'leader/follower' model, whereas the period following the 1997 financial crisis, presented emphasis on both economic and social objectives. For example, the OTOP policy, which will be discussed in further detail in the next chapter, became functional to the achievement of the government's development objective. However, contention surrounds TRT's developmentalism as precluding previous decentralisation effort in that

[79] The National Agricultural Council would decide what crops would be produced nation-wide, or use the proceeds for research and crop support on a selective basis, and even punish farmers who shirk contract-farming obligations (Christensen, 1992).

TRT policies aimed at advancing the potential of the grassroots economy were directed in a top-down style. For instance, the local community received directions from the top rather than as autonomous entity developing on its own. Suehiro (2004) classified Thailand's developmental paradigm into three categories: (1) the state centred developmental system, which occurred during the period of rapid industrialization (2) the localized paradigm of sustainable development, with the introduction of H.M. the King's notion of Suffiiciency Economy (3) the top down directed developmentalism of TRT's government. Each category had different emphases as delineated in the table below.

Table 4.5 : Comparison of Thailand's Developmentalism

Type	**State-centred Developmentalism**	**Localized Developmentalism**	**TRT's Developmentalism**
Period	1950's until 1997 financial crisis	Following the 1997 financial crisis	During TRT's government (2001-2006)
Policy Focus	- Economic Growth - Industrialization - Economic Expansion - Lokhaphiwat (Globalisation)	- Prachasangkhom (civil society) - Thammarat (good governance) - Community building	- Economic Growth - Competitiveness - Efficiency
Political style	- Interest induced politics - dual structure politics in cities and rural areas -Core economic units	- Decentralized people's participatory politics - Public hearing - Autonomy of local agencies	- Concentration of prime ministerial power - populist policies - Ad hoc strategic committee
Policy orientation	- Growth oriented - Support policy for foreign capital	- Sufficiency economy - Development of community economy - Sangkhom Khem Khang (strong society theory) - stable society orientation	- Promotion of local industries and SMEs - Knowledge based economy - strong state orientation - stable society based on political unity

Source: Suehiro (2004).

Critics of TRT's developmentalism argued that changes propagated by the 1997 constitution and the structural transformation towards increased participatory developmental initiative had been replaced by TRT's centralized people participatory politics (Suehiro, 2004). On the other hand, adherence to proactive social development challenged the view above and argued that TRT's developmentalism was also an adaptive legacy of the 1997 economic crisis and that it tried to combine both the top down and participatory approach. The TRT government defended itself by raising examples of the OTOP policy as exhibiting a bottom up developmental approach, whereby communities were empowered by their vision of development. Dr. Kitti Limskul (2003), the Vice Minister of Finance during TRT's government mentioned how OTOP was worked from both the bottom and the top. Correspondingly, a national committee had set up regional and principal committees with the oversight from the Department of Community Development (Limskul, 2003). As such, strategic objective was meant to be received from a top down basis and implemented through a participatory bottom up manner, with autonomy based at the tambon level under the TAO in deciding its own desired objective. This contentious debate of centralized people participatory approach requires further analysis into institutional effects and a comparison over the relative propensities of benefits and burden deriving from the policy. As such, the next chapter discusses these effects in detail, and considers whether OTOP, which was originally based on 'local developmentalism', drifted into other forms of developmentalism.

4.6 Conclusion

Thailand was at a juncture for change during the 1997 financial crisis, but the change that was going to transpire rested not only by the triggering of an exogenous shock. While the financial crisis was a critical turning point towards the proclamation of the liberalization agenda, it was also a tested period of discursive and institutional adaption. Recognition of the limitations of neoliberal policies and the growing criticism against the World Bank and the IMF soon led to a perceived adjustment in stance and position for these institutions. On a normative and pragmatic ground, backlash against the precepts of neoliberalism (i.e. the Washington Consensus) forced a rethinking of the model and its application to the Thai developmental state (Higgott 2000; Beeson and Islam, 2005).

The case of Thailand demonstrates just how important both the power of ideas and the power of organized business were in promoting institutional transformations. Following the financial crisis of 1997, the developmental state drew attention to promoting economic and social welfare more generally as opposed to an exclusive preoccupation with industrialisation and industrial policy. The financial crisis showed that Asian states were not able to depend on the sole strategy of emphasizing economic growth because citizens were not protected against the adverse impact of the economic downturn. Without any stabilizer i.e. income protection, citizens experienced the harsh hit of the crisis, leading to the questionable legitimacy of Asian state's regime.

Inevitably, the Thai government was not well prepared to deal with the social problems that followed the 1997 crisis (Barro, 2001). The difficult economic and social situation provoked by the crisis forced the authorities in Thailand to implement structural reforms (Marshall and Butzbach, 2003). The IMF had been called upon to implement stabilisation and structural adjustment programmes.[80] The post-crisis neoliberal approach, promoted by the IMF, the World Bank, and the Asian Development Bank, emphasized expanded liberalization, more

[80] The first Letter of Intent (LOI) dated on 14 August 1997 between the IMF and the Thai government involved a tightening of monetary and fiscal policy. It announced a reform programme for lower wages, privatization of state enterprises, eased restrictions on foreign investment, and increased private sector participation in infrastructure projects.

privatization, fiscal austerity, deregulation and decentralization (Stiglitz, 2002; Hewison, 1997a).

In Thailand, while neoliberal agendas were reinforced and the economic role of the state was furthered reduced during the Democrat Party government, the economic and political power of domestic capital became threatened. The Democratic Party (DP) found themselves devoid of any weapons to contest the institutional changes wrought by domestic business and the TRT. They were unable to articulate a defense of what was, after all, their downturn. By mid-1998, local business was deeply distressed. The crisis weakened the bank-based conglomerates that had long dominated the domestic capitalist class (Suehiro, 1989). Domestic business complained of high interest rates and a lack of liquidity in the economy (Hewison, 1997a). Opposition to the neoliberal agendas and strictures increased. By mid-1999, the Thai government announced it was exiting from the IMF program. It handed back three-quarters of the loans offered by the World Bank and ADB for policy support (Phongpaichit and Baker, 2004).

Neoliberalism proved institutionally unsecure and its opposition coincided with a transition in political development in Thailand, which saw the Thai Rak Thai party to victory in 2001. Throughout the TRT's government, the social and economic policies were intimately linked to the domestic capital's struggle to re-establish its competitiveness and profitability (Hewison, 2000). Subsequently, the government raised a new social contract which included policies of social protection. The case provides empirical evidence for the claim of institutional changes that is predicated upon coalition building and restructured relationship.

In discerning the transformation that took place in Thailand, adjustments of economic policy from extensive growth to economic competitiveness brought about new definitions of developmental social policy. The transition is shown in table 4.6, in which there were expanded thinking about economic liberalism, i.e., the focus moved from the neoliberal policy package towards ideas of localized developmentalism. Meanwhile, one also sees from table 4.6 that after the 1997 financial crisis, the Thai developmental state, which had focused only on those working in the large-scale firms, began to protect those not working, including the poor and the elderly, as well as the unemployed and those from the informal sector. This was a major shift compared to the situation prior to the financial crisis of 1997, in which social insurance programmes for industrial workers and social benefits entitlement for state personnel constituted most of the welfare spending by the state prior to the crisis. Distinguishably, the precedence of economic goals and development had not reflected social protection system for the whole population of the country during the pre-crisis period. Rather, the main groups of people covered by social policy programmes were wage earners in large-scale businesses and state sector employees. With the system focusing more on the formal sector only, the informal sectors, constituting those who were self-employed and family workers, were neither covered by social insurance and many did not have access to social assistance schemes.

Table 4.6: A Study Illustration of the Changes in Thailand

Timeline	**Before the 1997 financial crisis**	**During the 1997 financial crisis**	**After the 1997 financial crisis**
Dominating paradigms under the Thai developmental state	Economic liberalism; State-centred developmentalism	Economic liberalism with emphasis of the neoliberal policy package	Economic liberalism; Localized developmentalism, i.e., Sufficiency Economy
Actual Social Protection coverage	Formal Sector; Urban Economy	Formal Sector; Urban Economy	Formal Sector; Urban Economy; Informal Sector; Rural Economy

Source: Research Analysis

In terms of the political context, the economic crisis fostered increasing demand for public participation, especially in the role of the state in social protection. The adaption of economic policy made the developmental state more inclusive. This is seen in the institutional changes of the 1997 constitution, the agendas of the Eighth and Ninth National Development Plans, and the decentralization process to the Tambon Administrative Organization. These changes signified a distinct ideational adjustment or a ‘paradigm recalibration’ that was based on alternative developmental thinking including Sufficiency Economy. These developments offered public participation and community empowerment, as well as measures aimed to strengthen the rural economic base and the national politics.

Chapter 5

The OTOP Policy: A Case Study of Shifting Developmental Welfare

The focus of this chapter is to review the policy of the One Tambon One Product (OTOP) Policy, presented here as a case study rooted in the specific developmental context of Thailand. The chapter argues that the introduction of OTOP represented an institutional shift in Thailand's developmental path because it addressed the stimulation of the domestic economy – a change of focus regarding integration with the international market prior to the 1997 financial crisis, and secondly, the policy aimed to be more inclusive in scope by involving the informal sector and the rural economy, rather than only the formal and the urban economy.

The OTOP policy is a market-driven policy that was introduced during the Thai Rak Thai (TRT) government to address the problems of unemployment and the lack of income support during the economic contraction following the 1997 financial crisis (National OTOP Administrative Committee, 2003). It is a scheme which encourages local entrepreneurship by supporting communities in developing and selling localized products. Instead of monetary support, the government provided a local and international stage for the promotion of these products. OTOP products cover a range of products, including handicrafts, cotton and silk garments, pottery, fashion accessories, household items, and foods.

This chapter considers both the *process* and the *content* of change as influential upon the effects of the OTOP policy. Thus, it looks at how the policy unfolded, not in order to assess its 'implementation' but to see how the policy changed and why. The issue of implementation is regarded as a factor accounting for the change in the policy, especially when there is a gap between policy design, formulation, and implementation; and when what is implemented is different from the original conception.[81] Here, instead of the traditional demarcation between policy and administration, Parsons (1995: 462) argues that policy-making does not come to an end once a policy is set out or approved.[82] In addition, Anderson (1975: 98) points out that "policy is being made as it is being administered and administered as it is being made." It is within this link in the policy process that a policy may not be as it was conceived in the first place, or as Deeg (2005) rightly puts it:

> …the path of an institutional system is not synonymous with the particular institutions which constitute it at a given point in time, but with the logic generated by their interplay …
>
> (Deeg, 2005: 172)

The first part of the chapter elaborates on the context of the wider policy environment and the measures of social protection for rural and informal workers. In order to delineate the shift underlining the OTOP policy, the discussion engages with the following detail:

to what extent was OTOP part of pre crisis developmental state?

to what extent was OTOP part of the prescription during the crisis period?

to what extent was OTOP different from both of the above prescriptions?

These accounts lay the ground for the changes that unfolded of the One Tambon One Product (OTOP) policy itself. Subsequent section goes into detail of the internal changes of the

[81] Throughout the different stages of the policy cycle, which is ongoing and not isolated as perceived, the nature and content of policy change can be detected. Therefore, this chapter relates policy change not only to the process of policy implementation, but also to other policy stages of 'agenda setting', 'policy formulation', and 'decision making'. During 'agenda setting', social problems come to the attention of the government. How a problem is interpreted as a public problem requiring government action raises questions about the social construction of that knowledge (Howlett and Ramesh, 1995: 105). From this construct, it follows that there are factors which influence policy acceptance, thus allowing for the policy shift to take place, and hence the departure from previous policy.

[82] Browne and Wildavsky (1987) add that implementation is an evolutionary process, which concerns adaptation and learning. Furthermore, Michael Lipsky's (1980: 208) *theory of street level bureaucrats* upholds that "policy implementation in the end comes down to the people who actually implement it". Thus, the interaction of people surrounding the implementation process has an important bearing to the extent that beneficiaries of the implemented policy can be different from the original intent.

OTOP policy. Here, it is important to note that incremental changes are transformative and can set the stage for the emergence of new approaches. Interviews with the different stakeholders of the OTOP policy shed light on the policy shift in terms of the social protection direction, in particular when considering how the goals of the policy changed. The researcher drew on the concept of 'drift' (Hacker, 2004, 2005) in explaining the incremental changes. 'Drift' (Hacker, 2004, 2005) is regarded as a form of incremental change which is 'masked by stability on the surface' (Streeck and Thelen, 2005: 24). Hacker (2005: 45) identifies that 'drift can occur for example by nondecision of policymakers or nonattendance to newly emerged risks.

Fundamentally, 'drift' occurred under OTOP when risks were pushed towards policy recipients and no efforts were made by the Thai government to ameliorate emergent risks. As follow, the second part of the chapter attempts to:

(1) discern patterns of change and continuity within the OTOP policy through the local producers perspectives;

(2) demonstrate evidences of changing risks that local producers experienced as the policy changed over time.

Different impacts of the OTOP, such as 'expanded target population', 'right to adequate income', and 'integration within community', are identified and matched by the empirical evidence of the informants' responses. Each section includes both aspects of positive inclusionary aspects of OTOP and the unattended risks found in the policy.

Chapter 5

5.1 OTOP as a Case Study

The main findings of this chapter were based on reviews of the literature on OTOP and interviews with officials and key informants. Interviews with government officials of Thailand included those from the Department of Social Development and Welfare, the Department of Labour Protection and Welfare, the Department of Industry Promotion, and the Thai Industrial Standards Institute under the Ministry of Industry, the Community Development Department under the Ministry of Interior, and the Office of the National and Economic and Social Development Board. From the private sector, interviews were conducted with members of the Thailand OTOP Network, entrepreneurs, and academia directly involved with the OTOP policy and those working on Thailand's social policy. It is important to highlight that in order to avoid results that are normative, the research goes beyond the descriptive level by presenting accounts not only of how the OTOP policy aimed to operate, as devised on official documents, but also of the experiences felt by the policy recipients.

Interviews were based on a small sample, in which each situation was considered unique and non-predictive. The qualitative sample size is considered small as compared to a quantitative study because the emphasis was on the depth and richness of the data and not on the statistical inference or significance of the data set (Ritchie, 2003: 83). Description of the interview sample is found in the table below:[83]

[83] For interviewees who requested confidentiality, identities have been altered and pseudonyms were used for quotations from the interview transcripts.

Table 5.1 Interview Sample

Categories		No. of people interviewed
OTOP producers (at least 5 years in scheme) cross section over different groups: Accessories/ decorative products, food& beverage, clothing, herbal products	1-3 stars level	11
	4-5 stars level	17
Non- OTOP producers	From weekend markets and craft fairs	6
Government officials	From different ministries	8
Development experts	Policy analysts, entrepreneurs, non-governmental organizations	9
Total sample size		51

In addition to the interviews, the researcher was invited to attend a three day seminar conference on the planning of OTOP strategy during 30 August - 1 September, 2010. The conference was organized by the Thai government and the Thai OTOP Network. The Thai Prime Minister attended the conference on the last day to address questions of the OTOP network producers. There were 139 OTOP producers at the conference. The researcher directly observed and interviewed leaders of the OTOP network during the seminars.

In the process of the interview, a topic guide with a list of themes was used rather than a structured list of prepared questions in a questionnaire format. In-depth interviewing provided detailed information and insights about people’s experiences that cannot be accessed through rigidly structured questionnaires. Also, in-depth interviewing was appropriate for this research task since it allowed for individual interpretations and responses and investigation of personal, sensitive, and confidential information.

5.2 The Wider Policy Context

5.2.1 Structural Change and Policy Choice

Following the 1997 financial crisis, social protection in Thailand was affected by developments in the labour-market. Increasing differentiation in part-time work, reduced fixed-term contracts and self-employment, contributed to the transitions between work and inactivity, and between different types of jobs (Horton and Mazumdar, 2001). As more people became engaged in self-employment and part-time work, more people had entered into the informal economy. Meanwhile, changes in the labour market modified the configuration of risks that people faced and the kind of protection that jobs provided for workers. Previous social protection was not enough to alleviate the distress of persons in various contingencies such as self-employment or unemployment. While these workers were less covered by the previous system of social protection, there were increasing people who became uncovered within the country. In effect, social protection had become less comprehensive in its coverage after the 1997 financial crisis. The Thai government therefore realized that there was a need to focus on investing in people’s productive potential (Shinawatra, 2005).

At the same time, the limited level of social protection in Thailand before the 1997 financial crisis (as discussed in Chapter Four) was a reflection of policy choices. Prior to the crisis, Thailand demonstrated a case of a residual developmental welfare state, in which income protection was not provided to the informal sector and assistance benefits were offered at a rather low level, as found in table 5.2 .

Table 5.2 Social Protection Schemes

Coverage	Before the 1997 Crisis	After the 1997 Crisis
Formal Sector: Private & Government Sectors[84]	Provident Fund Civil Servants' Pension Scheme Social Security Fund	Social protection as found before the crisis.
Informal sector and non-government sector	Social Security Act 1990 Benefits covering sickness, disability, death, childbirth, old age, and child welfare. (Unemployment benefit was drafted in the Social Security Act, but it was not provided.) Labour Protection Act 1998 Workmen's Compensation Fund[85] Severance Pay[86] Provident Fund[87] Employee Welfare Fund[88]	Social protection as found before the crisis plus additional schemes introduced after 1997: Dual Track Policies: • OTOP • Village and Urban Revolving Fund • Three –year debt moratorium • Small and Medium Enterprise Bank • 30 Baht Health Scheme

Source: Analysis from documentary data and interviews

The limitations of the previous social protection scheme created conditions for the emergence of active social policy. Active social policy is a concept that stresses the importance of shifting the focus of social programmes from insuring individuals against social risks towards investing in their capabilities and enabling them to realize their full potential (OECD, 2005). The active approach aims to encourage individuals to participate as fully as possible in

[84] Government programmes include protection for employees of government and government enterprises. Social security were provided for employees in the private sector, but managed by a government agency (Department of Labour Protection and Welfare, 1999). Contributions to the social security fund come from employees, employers, and the government (Department of Labour Protection and Welfare, 1999). Civil servants and employees of government enterprises were eligible for benefits in terms of pensions and health care for self and family members (Department of Labour Protection and Welfare, 1999). Pensions for civil servants are for life, while compensation for employees of government enterprises vary from agency to agency.

[85] Employers contribute to the fund, to provide compensation for employees in case of sickness, disability, or death caused by injury at the work place (Department of Labour Protection and Welfare, 1999).

[86] Severance pay is provided to employees upon termination of employment (Department of Labour Protection and Welfare, 1999).

[87] The fund includes contributions by both employers and employees as a protection in case of retirement, death, termination of employment, or termination of membership of the fund. The Provident Fund Act 1987 states that Provident Fund is voluntary and not required of all firms (Department of Labour Protection and Welfare, 1999).

[88] The Employee Welfare Fund was established to provide welfare for workers terminated from employment because of death or other reasons. Both employers and employees are required to make contributions to the fund (Department of Labour Protection and Welfare, 1999).

economic and social life. It is based on recognition of the rights and responsibilities of individuals as part of the broader community.

In the area of employment measures, a distinction between ‘passive’ and ‘active’ employment measures refers to different focus. ‘Passive’ social policy is demand-side oriented, and emphasizes the use of macroeconomic tools to regulate labour; while ‘active’ social policy indicates supply-side approaches to the labour market, and strategies aiming at, for example, improving the efficiency of the market through increasing skills levels, hence increasing worker mobility and flexibility (Jessop, 1993).

Lodemel and Trikey (2001) and Giddens (1998) note in their analysis of workfare in international perspective, the limits of passive measures. Giddens (1998) acknowledged that the application of macroeconomic policies cannot alleviate problems caused by unemployment by itself, and that such measures imposed ‘moral hazard’, in which ‘dependence’ is fostered. In the case of Thailand, past passive measures led to an emphasis of macroeconomic policy adjustment, which focused on the expansion of the industrial sector and workers shifting to that sector. The result of this type of adjustment was the non-protection for workers during the crisis period, as elaborated in the previous chapter.

Active social policies have emerged as an important employment policy tool, particularly in industrial countries since the late 1960s. In the 1990s, notable examples include the New Deal in the UK and many welfare-to-work programmes in the US (Auer et al, 2008). The context of activation in developed countries is distinguished from the developing country context. For example, an evaluation conducted by the OECD (2005) indicates that active labour market policies in developed countries are based on coordinated strategies and a strong legal basis such as in Sweden. Meanwhile, efforts found in developing countries tend to remain uncoordinated, unstable and dependent on development aid (OECD, 2005). Despite these differences, active labour market policies continue to be promoted by supra-national bodies like the European Union, OECD and the World Bank (Sinfield 2001).

The range of measures under active social policy in developing countries includes retraining, job creation, job search assistance, public works, wage subsidy, microcredit and self-employment (Betcherman et al, 2001). These measures intend to increase the quality of the labor supply, to increase the probability that the unemployed will find jobs, and that the underemployed will increase their productivity and earnings (Betcherman et al, 2001). More recently, the case for active labor market policies has emphasized the potential social benefits, particularly inclusion and participation, of productive employment (World Bank, 2011).

The extent to which Thailand pursued policies that had new and distinctive elements after the 1997 financial crisis came close to be seen in terms of the 'activation' policy. Activation, as an idea and concrete set of policy provision, escapes easy classification due to national variation, different target group and various systems of social security and labour market policy (OECD, 2005). Nonetheless, the language of activation was apparent in the OTOP policy, i.e. 'entrepreneurship', 'self-employment', and 'productivity'.

Comparatively, OTOP comes close to the category of 'micro-enterprise development and small scale business promotion' under activation. For micro-enterprise development assistance and self-employment creation measures, technical assistance, credit, and other support can contribute to the creation and promotion of small-scale new businesses and self-employment (Betcherman et al, 2001). In countries with developing financial infrastructure, private banks do not offer credit to unemployed workers who want to create their own business (Betcherman et al, 2001). Microcredit programmes can therefore removed this distortion arising from credit rationing. Micro-credit schemes offer small initial amounts of credit, with subsequent loans contingent on a good repayment record. They charge market interest rates and use group lending with community guarantees rather than formal collateral (Wright, 2001). The experience of micro-credit schemes such as Bangladesh's Grameen Bank, shows that micro-enterprise credit programmes start on a very small scale and grow gradually (Wright, 2001:11).

In general, micro-enterprise development assistance programmes have been offered both on a universal basis or to a particular group. For example, such assistance has been offered to the newly unemployed (such as in Massachusetts, U.S., in the early 1990s), to the long-term unemployed (such as in Denmark in the 1980s), and to displaced workers (e.g., in Hungary and Poland in the 1990s) (Wright, 2001). Similarly, programme conditions also vary. Participants may receive assistance to set up their businesses as a lump-sum payment or periodic allowances. Often there is "screening" whereby potential beneficiaries undergo a rigorous assessment which evaluates their likelihood of success (for example, in Germany); however, in other countries, such as the U.S., screening has been more cursory (Wilson and Adams, 1994). In most cases participants may also receive business advisory services and counseling.

Relatively, the OTOP scheme does not provide financial support to individual producers, but mainly marketing and technical support. The Thai government claimed that they had other projects providing financial supports such as the Village Fund.[89] In terms of the sustainability

[89] The Village Fund was launched in 2001 when the government of Thailand promised to provide a million baht (about $32,000) to every village and urban community in Thailand as working capital for locally-run rotating credit associations (Public Relations Department, 2004). The money – about $2 billion in total – was quickly

of the business, producers mentioned that having marketing assistance was equally important to the financing of the business.

> …I think there is a point to OTOP. It is not about money only. Sometimes, we need the market. We set up a small business, do our stuff, but don't know where to sell our goods. [Before] We just sit in our village, hoping for tourists…but there could only be so many tourists… isn't that true.
>
> Chachoengsao Group (OTOP Producer)

In the interviews, officials of the Department of Industrial Promotion and the leaders of the OTOP Network agreed that marketing was considered an important process in supporting the specialization of each community in producing their product. Officials claimed that without a specific plan in marketing, each household product would be produced in redundancy. This would result in overproduction of a single kind of product. To avoid such problem, the government recognized the importance of systematically allowing each tambon to specialize in producing one kind of item, which reflected its local identity. With the government's assistance in management technique to link community goods with the markets, OTOP products were categorized into five groups as follows (Shinawatra, 2005: 140): (1) Food (2) Beverage (3) Fabric and Apparel (4) Herbal Products (5) Decorative items and souvenirs.

As for other support given by the government to OTOP producers, letters of credit have been forwarded to foreign purchasers to guarantee to buy materials or expand production lines. The government stressed the support given to grassroots artisans and entrepreneurs in terms of technical assistance and advice to enable them to produce goods more efficiently and at a

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disbursed to locally-run committees and Thailand's 74,000 villages and over 4,500 urban (including military) communities (Public Relations Department, 2004). By May 2005, the Village Fund committees had lent a total of about $8 billion, with an average loan of $466 (Public Relations Department, 2008). Once a village distributed its one million baht to local borrowers, additional lending is prohibited until 20 per cent of debt repayment is received (Public Relations Department, 2008). The programme limits each individual borrowing to 20,000 baht and the amount is required to be paid back in one year's time (Public Relations Department, 2008). In 2002, the President of Thailand Development Research Institute (TDRI) remarked on the detriment that the scheme could make the local community accustomed to seeking help from outside rather than building an internal network of support (Krongkaew, 2002). Furthermore, receiving easy money may induce precarious spending for the grass-root population (Krongkaew, 2002).

higher quality. Once they improve the quality of their products, government officials claimed that they assisted OTOP producers in marketing their goods throughout the country and around the world. For example, during 2002, the OTOP committee and Thailand's Export Promotion Department worked with the Japan External Trade Organization (JETRO) to promote the development and sale of OTOP products such as textiles, wood products, baskets, ceramics and mulberry papers in the Japanese market (Shinawatra, 2005). Japanese designers, buyers, and stylists were brought to tambons in Thai provinces to identify products or crafts that would fit the tastes and lifestyles of Japanese consumers. The team selected 600 product samples and worked with villages on concept designs and product development, eventually making 30 product prototypes (rights to the designs belonged to the Thai public) (Shinawatra, 2005: 142). JETRO then used its facilities to promote distribution of OTOP products in Japan. (Shinawatra, 2005: 142). Thus, OTOP represents a unique policy that is close to the micro-credit scheme but is distinguishable because of its predominant marketing support.

5.2.2 Activation and Changes in Thailand's Developmental Welfare

In Thailand, the move to activation was associated with a broader process of ideational change. This shift is distinguished from mere changes in the setting of the policy instruments (first order) or the introduction of new policy instruments (second order) (Hall, 1993). Rather, it signified a fundamental shift in the aims of policy making and the introduction of new policy goals of the labour market and the economy. However, the shift was not a complete third order change in the sense of a wholesale transformation according to Hall's (1993) description.[90] Rather there was still a significant element of the old values in place such as economic liberalism and competition. Yet, there was also a new element of sufficiency

[90] Hall (1993) describes 'third order change' as a paradigm shift. He gives an example of the British experience having gone through third order change when it experienced a major transformation from Keynesian to monetary economic era.

economy and the integration with the local economy. The layering of the new element over the existing standards suggested a recalibration that may be found before a stark 'third order' change of shifting paradigms.

For Thailand, the incremental adjustment in developmental welfare policy and subsequent move towards activation was precipitated by the rapid transition to industrialization. The shift towards industrialization revealed problems of underemployment, low productivity and an inflexible labour market. Activation reforms were designed to address these problems and to increase competitiveness in the context of adjusting to the demands of globalization and the knowledge-based society. However, a strong political commitment to distributional effects (which is discussed in further detail below) was distinguishable and this has ensured that the policy solution avoided jettisoning the threat of persistent inequality, but instead secured economic growth through a new balance between equality and efficiency.

Under the context in which the Thai economy operated, it is important to note that, to some degree, markets were a political construct. What appeared to be a 'free' market was politically constructed by governments through which a set of rules were allocated to different actors that gave them rights and obligations via the market (Samuels, 1981: 100-104). Prior to the 1997 financial crisis, the global capital markets were the outcomes of governments' liberalizing policies. Such market systems placed national workers at a disadvantage because of the limited mobility, despite the potential of offering national economies expanded opportunities for wealth creation through foreign direct investment. Strange (1996) notes how such model also conferred power on investors, whose interests the Thai government were inclined to prioritize relative to the country's labourers.

Under the open market system, equity and efficiency were treated as trade-offs (Okun, 1975: 48). In effect, tension was set up between the values of growth and distribution. The former emphasized the expansion of total income or wealth of a country irrespective of its distribution among different groups in society. Equity is a distributional principle, which is based on a recognition that equal outcomes are not achieved by treating everybody in the same way, hence the distribution of resource to those with needs (Lister, 2006: 79). In the bigger picture, Sen (1983: 753) argues that growth and distribution are not opposed as much to each other, with growth enabling distribution to take place in order to achieve some form of equity in society. Hence an important change following the 1997 financial crisis was how the Thai government preserved the liberal market system while mitigating the inequalities that the liberal and open system generated under the conditions of globalization. This in turn, required an *expanded* role for the government and a greater participation of the domestic and small-scale businesses as well as the informal sector in the market system.

Developmental policies that aimed to achieve social protection and economic development have gone through different emphasis. A contrast of the different periods in table 5.3 show that the post crisis policies such as OTOP carried on the emphasis of economic growth, similar to policies found in the pre-crisis and during the crisis periods; however, the variation was on how that economic growth was achieved via expanded domestic capital support and redistributed opportunities, and not only from growth induced from foreign investments and industrialization.

Table 5.3 Dimensions of Developmental Policy Focus Surrounding the 1997 Financial Crisis

Period	Pre-crisis	During Crisis	Post crisis (OTOP)
Policy Focus & Goals	• Economic growth • Industrialization • Efficiency • Developmental aid and assistance	• Economic growth • Export orientation • Foreign investments • Trickle down effect	• Economic growth • Domestic capital support • Redistributed opportunities • Entrepreneurship • Expanded base of participation and inclusion

Source: Researcher's documentary analysis.

Activation, following the crisis period, thus involved a more *active* and *inclusive* rather than passive and exclusive approach. The focus of active labour market policies shifted from demand orientated support for employers to a more supply side concentration on raising the productivity of individuals. The objective of activation, as constructed under the OTOP policy, was to improve economic self-reliance and societal integration via gainful employment instead of joblessness and benefit receipt, which was associated with social exclusion. Here, activation meant stronger intervention in unemployment periods of inactivity and less tolerance of long term benefit dependency and associated public expenditure. It follows from the OTOP case that ending unemployment or inactivity was an important goal for the government not only in terms of income and earnings but also in terms of social inclusion and well-being as being unemployed left these people socially more isolated than employed people. The following section looks at the empirical evidence of the OTOP policy as associated with this dynamic.

5.3 The Transition to OTOP

The transition to OTOP was a combination of both exogenous signaling of the failed social safety net and the endogenous developments which facilitated the OTOP policy adoption.

Firstly, the fundamental philosophy such as Sufficiency Economy, which was proposed by His Majesty the King of Thailand following the 1997 financial crisis, was crucial in encouraging the Thai government to adopt programmes that would be aligned with this concept. When 'sufficiency economy' became the guiding policy, there was a shift in the goals of the national policies. The sufficiency economic theory focused on living a moderate, self-dependent life absent the overexploitation, for example, of natural resources (Krongkaew, 2003). It combined the principles of sustainability, moderation and broad-based development. The OTOP principles of *self-reliance* and *creativity* coincided with the principles of sufficiency economy.

In terms of other factors which facilitated easy transition to OTOP, the abundant presence of the cottage industry within the Thai economy allowed for adjustment towards OTOP. Cottage industry has long been related to the traditional way of life for the rural Thai people. A survey conducted by the Thai National Statistics Office indicated that in 1991 there were 1.2 million households engaged in cottage industries throughout the country. By 1995, the statistics increased by 21.5 per cent (National Statistics Office, 1995). Recognizing the potential for cottage industries, the Thai government was ready to promote them. Under the OTOP project, the government had the avenue to support these industries systematically as well as to sustain labour employment in the villages and to allocate income distribution to the rural economy.

At the structural level, readiness of the institutional infrastructure allowed for the transition and adoption of the OTOP policy. During TRT's government, administration power was decentralized through a local representation organization called Tambon Administration Organization (ILO, 2004). The village and Tambon administration units seemed to be able to spatially provide the foundation for cooperation among villagers for the viability and sustainability of OTOP activities. At another level, the Thai government recognized that during the economic downturn, small and medium enterprises (SMEs) were able to adjust themselves better than those of the large-scale (Shinawatra, 2005). The government also believed that the growth of SMEs would have diffusive functions in generating growth in the rural area. For these reasons, the Thai government was ready to give priority to promoting SMEs in rural regions of the country.

Past institutional infrastructure also facilitated the acceptance of the OTOP policy. The OTOP policy was in accordance with the policy of the Ministry of Industry which has long been taking an active role in promoting local household and community industries (Kuwinpant, 2002:15). In addition, by interviews with officials of the Community Development Department, they mentioned how prior work of the Community Development Department also paved the way for OTOP work. The department had been involved in community development since 1963 and had services in credit union and saving for the community. However, according to the officials, many of the projects and budgets under previous setting were scattered. There was no grouping and definite direction of how the different policies and budgets complemented one another. Officials identified that under OTOP, however, there was an umbrella or main focus towards which the department's work was geared towards.

5.3.1 Social Construction of the OTOP Policy

Despite factors which facilitated the OTOP policy, policymakers had to construct meaning by their decision to adopt the OTOP policy. Here, the social constructionist perspective offers a way to define and understand social problems (Schneider, 1985; Schneider and Sidney, 2009). Schneider (1985: 209) asserts that the main proposition of this tradition is that social problems are the definitional activities of people around conditions they find troublesome.[91] Baumgartner and Jones (1991) also recognize that what becomes a policy agenda revolves around the interpretation of the problem and the manner in which it is conceived and discussed. As Howlett and Ramesh (1995: 104) note, “the manner and form in which problems are recognized are important determinants of how they will be addressed by policy-makers.” In the case of the One Tambon One Product (OTOP), the social constructionist approach helps deliberate how the problems of unemployment and lack of income support were defined by various stakeholders.

At the official level, the OTOP policy was aimed at creating jobs in the agricultural localities. Shinawatra (2005) describes in his speech during his administration that it was important to keep farmers on their farms with substantial added incomes that could free them from debts. The government recognized that farmers could hardly make their ends meet with the fluctuation of farm prices year by year. They were forced to borrow money at high interest rates that they could not afford to repay and were trapped in a lifelong cycle of indebtedness.

For the Thai agricultural sector, the level of credit was determined by the level of loan recovery (Townsend, 2006). The main determinant of lending was whether the household had land and other assets, either as predictors of the magnitude of crop income or as collateral for the lenders who remain worried about eventual default. Despite efforts on the part of the Thai government to solve the problem of imperfect and limited credit, through the joint-liability groups of the government's Bank for Agriculture and Agricultural Cooperatives (the BAAC) and through village-level institutions such as production credit groups and poverty eradication funds, for example, many rural households still had difficulties in terms of the

[91] Social constructivists build upon Weber’s fact/value dichotomy, according to which, our cognitive capacity allows us to attach values to facts that hold a special meaning to us , and which influences the way we plan our actions (Putnam, 2002).

overall credit they had access to (Townsend, 2006: 357). Amongst OTOP producers who also belonged to farming households, they mentioned that they had low level of credit, and that there were few formal or informal alternatives.[92] Furthermore, it was found in Townsend's (2006) study on the variation of micro financial institutions in Thailand that although the average institution did ameliorate responses to income shocks, it did not alleviate risk but increased the probability of having to reduce consumption.

The Thai government recognized that some farmers traditionally supplemented their income by producing local crafts (The Office of Small and Medium Enterprises Promotion, 2007). They also came to realize that these products represented decades and centuries of local knowledge. But because their local markets were limited, so were the growth prospects for these cottage industries (Shinawatra, 2005). To increase the return of this indigenous intellectual capital, the OTOP Project was initiated to increase incomes and create local jobs, keeping farmers on their farms with substantial added income that could free them from debt (The Office of Small and Medium Enterprises Promotion, 2007). In this way, rural Thais could turn themselves into small entrepreneurs, who eventually contributed to the national economy. Thus, the official framing of the OTOP policy, as found in the official white paper, incorporated the following objectives:

- To create job opportunities within the local community.
- To empower local communities to become self reliant.
- To promote local knowledge in the development process.
- To promote human resource development in the local community.

[92] The forms of micro financial funds in Thailand include production savings groups similar to local savings and loans to buffalo banks, which lend cattle; rice banks, which operate as regular banks but use rice and not money; women's groups, which are associations of females engaged in improved occupation development; and poverty eradication funds administered by the government (Townsend, 2006). The policies of these institutions vary according to the amount of initial funding and to the amount and type of training of villagers and committee members (Townsend, 2006).

- To promote a developmental paradigm most suited to the local culture and livelihood.

(The Office of Small and Medium Enterprises Promotion, 2007).

Apart from the official framing of the OTOP policy, it is important to keep in mind that Thailand had experienced problem with the structural adjustment programme at the macro level before the initiation of OTOP. The Thai government was not able to afford comparatively generous social insurance programmes. Further, an inclusive social safety net system was non-existent. A dual-track policy aiming at increasing both the competitiveness of domestically-produced products for exports and self-sufficiency to ensure the security for the poor fitted into this model. The OTOP policy, therefore, came close to the Thai government's attempt in linking economic flexibility and social protection.

In juxtaposition to the official view, the OTOP producers viewed the high levels of unemployment not as a problem of failed structural adjustment per se, but recognized the lack of protection of the informal sector as a domestic issue (i.e. previous government inattention to the informal sector). In the interviews, producers were asked to point out what they understood were the objectives of the OTOP policy. The majority of respondents understood that OTOP was a policy to address income support. The majority of respondents claimed that the policy also addressed rural unemployment. Half of the respondents spoke specifically of the policy as reducing emigration of workers to other regions. The minority of respondents mentioned that the OTOP policy was a general community development policy, while a minority few saw the policy as a direct marketing scheme. Interestingly, another minority group also conveyed that the policy combined elements of political vote buying.

Table 5.4 Social Constructions of OTOP

State / Government Officials	Local Community / Producers
• Create jobs within local community • Empowerment / self-reliance for community • Promotion of local knowledge • Promotion of human resource development • A developmental paradigm suitable for local culture	• Income support measure • Addressing the problem of rural unemployment • General community development policy • Direct marketing scheme • Political vote buying

Source: Documentary analysis and interviews with OTOP producers.

Comparison of views between policy recipients and policy executors (as shown in table 5.4 above) reveal that first, the government, rather than social groups, picked up the agenda which had existed since the rapid industrialization of Thailand before the crisis period. The previous government also recognized similar problem of income gap and the exclusion of the rural economy but held a different belief that pushing the general economy would lead to a trickle down effect.

In addition to contrasting views between governments, the views of the policy recipients did not exactly match the official projection of the policy, at least not in recognition of the fiscal constraints and the exogenous failing of the structural adjustment programme. The government held a macro view, while the policy recipient acknowledged their immediate circumstance and surrounding. However, the fundamental aspects of income support and employment opportunities within communities were mutually acknowledged. Importantly, policy recipient recognized that OTOP was going to ameliorate their situation. These perspectives influenced receptivity towards the OTOP policy.

> …OTOP allowed us to increase our income apart from working in the rice farms… [We] did not know what to do at first, but when other [farmers] start talking about OTOP, it became a chance [for us] to think of what to do.
>
> Saraburi Craft (OTOP Producer)

> … we know that before the government did not have another option for us. [We] thought we could only escape by going into the city to find work. If [we] go into city, we could get more money by working in the factories or being helpers. It is not like we have training and skill for jobs that pay a lot …[we] do not know what to expect...
>
> Mahasarakram Group (OTOP Producer)

> …we know that the government is able to gain a lot of votes by introducing the OTOP policy…but it's ok, we also get…we get another way to increase our income. So they [the government] get, and we [the people] get.
>
> Rachburi Group (OTOP Producer)

As for those who did not enter the OTOP scheme, some claimed that the policy was aimed for political election. Some held a negative view of the TRT administration as being corporate and business-oriented. The fact that the TRT government promoted the OTOP policy with clear targets for the rural economy arguably encouraged skeptics to mistrust the government's intention. These doubtful views are expressed below:

> …The Premier [Thaksin] is a business man. He runs the country like a company… of course, he was trying to win our votes with his policies…Particularly, those [the villagers] who he thinks can not [follow] and read his game.
>
> Anonymous non-OTOP producer #1

> …His [Prime Minister Thaksin's] interest was not for us to benefit, it was with how much power he would gained… I think we became [his] instruments.
>
> Anonymous non- OTOP producer # 2

Despite the dismissive opinions of some producers, the majority of OTOP producers who were interviewed aligned their interest with the government, and felt that as long as rural problems were being addressed, that was the bare condition that they expected from the government. As a result of OTOP, the TRT government captured the majority view and the aggregate interests. It therefore follows from this effect that not all groups were equally influential in the policy process and that the OTOP policy was a manifestation of the state desiring to manage change. This corresponded with Peter Hall's (1993) conceptualization that a significant transformation constituted not only of structured ideas but also on the locus of authority and the position to resist or accommodate pressure from societal interests (p. 291). According to Hall (1993), "the most cynical politicians must still rationalize their actions in terms that will draw popular support" (Hall, 1993: 291).

5.3.2 The OVOP Programme

Policy formulation involves recognizing limitations, which reveals what is not feasible and by implication, what is feasible (Howlett and Ramesh, 1995). Hall (1993: 280) also notes how "instances of policy experimentation are likely to play a key role in the movement for a policy." The Thai government had to consider what options were available and which also fitted with the country's structural content. OTOP was inspired by the OVOP (One Village One Product)[93] programme that originated in the Japanese prefecture Oita in 1969 under the initiation of Mr. Morihiko Hiramatsu, the Governor of Oita at that time (Suphat and Korawan, 2004).

In general, the OVOP movement was considered an important model in development policy. The approach attracted widespread attention in many developing countries as a potential tool for bridging the gap between cities and rural areas through community-driven development and local industrial promotion (Das, 2008). Through the OVOP programme, the production of high-value products at the local level was stimulated by facilitating access to a larger urban

[93] OVOP stands for a programme in which a village develops and promotes a signature product that becomes readily identifiable with its community (Kurokawa et al., 2008). Economic development is pursued through OVOP while value is added to locally available resources through processing and marketing. This approach relies on small- and medium-sized enterprises (SMEs) at the micro-economic level -- individual firms, groups of firms or households -- in contrast to the "enabling environment" approach employed at the macro-economic level (Kurokawa et al., 2008).

consumer base and markets. Since its inception, OVOP has been taken up as a model of local revitalization in other countries. Some examples of OVOP-equivalents abroad are listed in table 5.5 and figure 5.1 below:

Table 5.5. : OVOP Projects Around the World

COUNTRY	NAME
Shanghai, China	One Factory One Product
Shanghai, China	One City One Product
Shanghai, China	One District One Product
Wuhan, China	One Village One Treasure
Jiangsu, China	One Town One Product
Jiangsu, China	One Capital One Product
Shanxi, China	One Village One Product
Jiangxi, China	One Village One Product
The Philippines	One Town One Product
Malaysia	Satu Kampung Satu Produk Movement
East Java, Indonesia	Back to Village
Thailand	One Tambon One Product
Cambodia	One Village One Product Movement
Laos	Neuang Muang Neuang Phalittaphan Movement
Mongolia	Neg Bag Neg Shildeg Buteegdekhuun
Los Angeles, USA	One Village One Product Day
Louisiana, USA	One Parish One Product Movement

Source: Oita OVOP Exchange Promotion Committee, 2005-2009.

Figure 5.1: Examples of OTOP / OVOP Logos Around the World

Source: Wakaranban OVOP Journal, Oita OVOP International Exchange Promotion Committee, 2008

Similar to the Thai case, the Japanese OVOP emerged in the context of problems associated with rapid industrialization. Prior to the OVOP movement, it is mentioned in the Japanese case that local communities stimulated their economies by appealing to government for assistance in the form of grants and subsidies (Das, 2008). They relied on government handouts. While government agencies and local authorities launched assistance programmes for small and medium enterprises (SMEs) and farmers, these assistance programmes were not generally embraced. One of the main reasons for the limited uptake was the difficulty in accessing funds due to complicated government procedures (Das, 2008). In addition, local culture and tradition suppressed the growth of small business start-up. For example, women were forced to work in the home even though they had skills and capabilities sufficient to start new businesses (Kurokawa et al., 2008). Meanwhile, the central Japanese government's policy was to push for industrialization and modernization. Nonetheless, urbanization in Japan led to the depopulation of local areas (Kurokawa et al., 2008). As follows, Oita's local government realized that depopulation would cause problems of workers' migration and initiated the OVOP movement to mitigate these problems (Das, 2008).

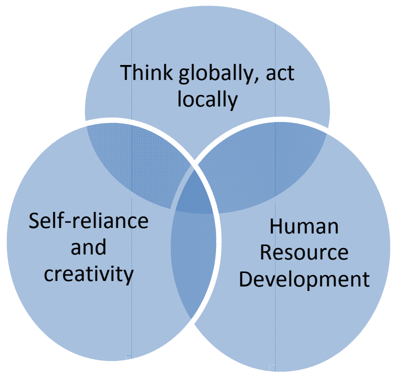
The OVOP approach was a variation from previous mainstream neoliberal approaches in that it aimed to achieve economic development by developing products and services using locally available resources and adding value through processing and marketing (Kurokawa et al., 2008). The concept of 'glocalization' was supported under the conception that villages could develop specific products that represent local areas but which could also be competitive in the global markets (Kurokawa et al., 2008). This product specialization method aimed to promote *self-reliance* and *creativity* among the local producers, therefore also encouraging *human resource development*. Thus, the three fundamental principles of OVOP were (also shown on figure 5.2):

1. Local yet global: Creating globally accepted products that reflected pride in the local culture.

2. Self-reliance and creativity: Realization of the programme though independent actions utilizing the potential of the region. Activities were drawn from community inspiration as community members decided what products and local uniqueness were to be captured.

3. Human resource development: Fostering people with a challenging and creative spirit. Through human resource development, community leaders were encouraged to propel community's sustainable development.

Figure 5.2: Fundamental Principles of OVOP



Source: Kurokawa et al., 2008.

Distinction between the concepts of 'glocalization' and 'globalization' is demonstrative of ideational adaption and a rethinking of the underlying goal of a policy. Whereas before and during the crisis, the main doctrine of IMF's intervention and Thailand's economic policies were driven mainly by the force of globalization (i.e., privileging neoliberal economics, trade and investment liberalization, decentralization within nation state), OTOP and OVOP's 'glocalization' points towards substantial reform after the crisis, with the goal of establishing a link between the benefits of the global dimension and local realities. (CERFE, 2005: 13).

In the Thai case, the actual adoption of the OTOP policy transpired following the return of Prime Minister Thaksin Shinawatra's official visit to Japan in 2001, which included a visit to the Oita Prefecture. The Thai government was ready to go into agreement with the Oita prefecture in order to receive technical and economic assistance from the Japanese government for the modeled One Village One Product (OVOP) programme. As a result, specialists from the Oita Prefecture were sent to deliver on-the-job training to the Thai villagers (Kuwinpant, 2002:2). It was during the initiation of the programme that government officials noted how the administration processes were hastened for the programme's approval. The hustle resulted in less time for preparation of an appropriate standardization system of local products.

> Government officials were not given training in specific details of OTOP. Rather, the [Thai] government wanted results and OTOP was adopted too fast.
>
> Anonymous government official,
> Ministry of Industry

> Despite previous work which covered similar grounds, OTOP entered to newer territories, and [the programme] should have been taken more slowly with clearer direction and boundaries.
>
> Anonymous government official,
> Ministry of Interior

Here, more time for government preparation might have also facilitated other producers who were not included in OTOP. Interviews with the non-OTOP producers referred to several reasons for not having joined OTOP. One criterion was the demand and hassle of the government process in OTOP selection and registration. Correspondingly, officials of the Bureau of Target Industries Development acknowledged that at the initial stage, the OTOP selection process was inconsistent while different assessors took part in the process. Meanwhile, entrepreneurs were not familiar with the official process and regarded it as burdensome and repetitive. Despite the rationales for emergent entrepreneurs not being part of OTOP, officials recognized that there was space for the value and the direction of the policy to be better communicated to the local population. There was also scope for the policy to cover those who needed assistance and to facilitate them to enter the programme particularly if the bureaucrats had more time to lay solid grounds and prepare for the policy's implementation.

The detail above demonstrated that the choice of OTOP policy was built more so in opposition to past situation and less based on a common and coherent vision. Palier (2005: 134) makes the following point:

> Traditional path-dependence arguments usually see the weight of past policies as positively reinforcing existing institutions and programs. But the weight of the past can also lead to rupture if the past is seen as a bad thing.

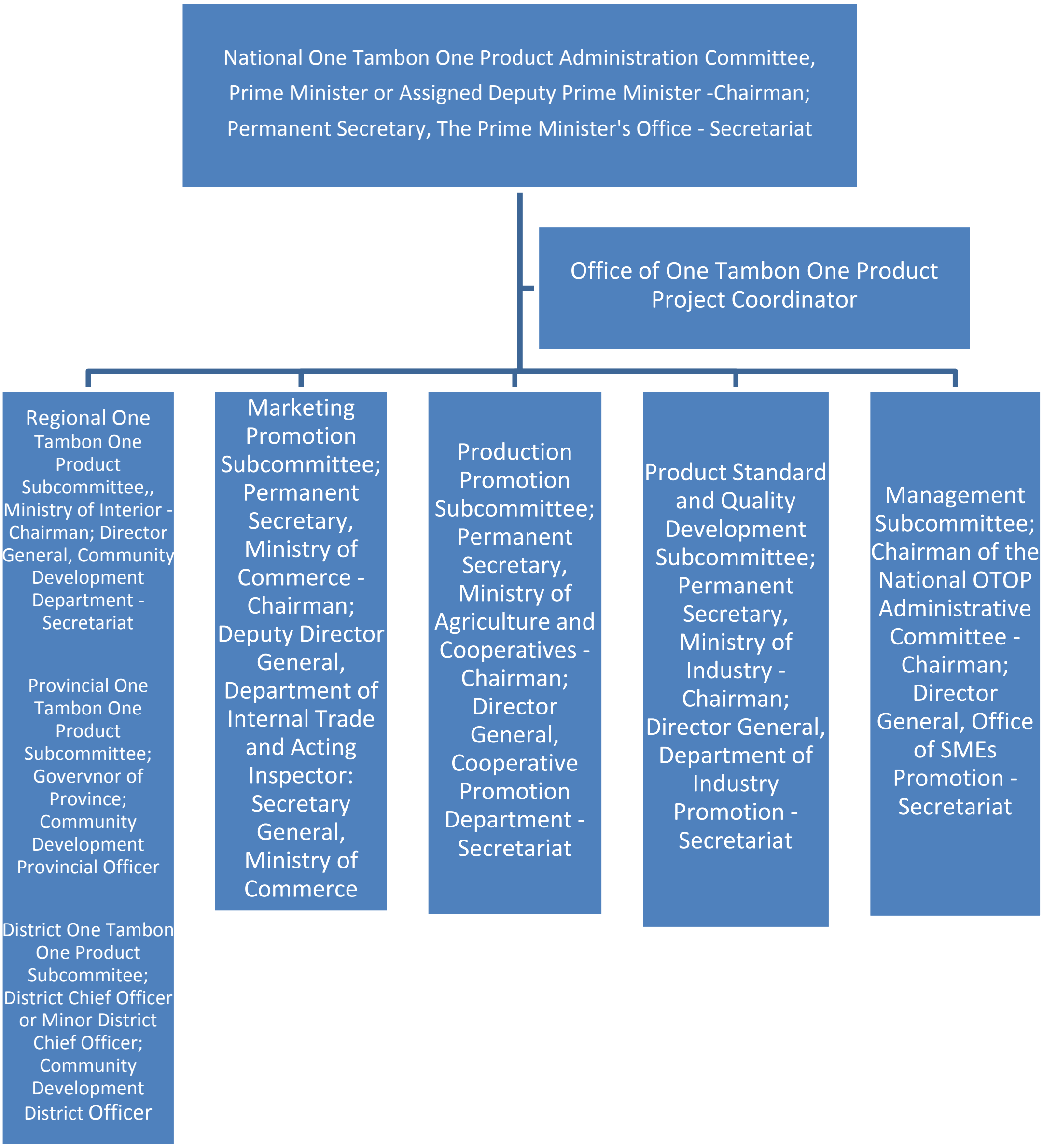
Thaksin’s administration saw the opportunity to adopt OTOP as a way to solve the problems created by past policies, which focused on social protection for the formal sector and not for those in the rural economy. However, the actual adoption of the OTOP policy did not consider how the policy may fail to include producers who really needed the help.

5.3.3 Differentiation between the Thai OTOP and the Japanese OVOP

While the Thai government was inspired by the OVOP model, the Thai OTOP is distinguishable from the Japanese prototype. The OTOP programme is regarded as a government-led development policy in Thailand and not an endogenous movement as found in Japan. In Japan, there is little role for central government while most responsibility lies with the private sector (Kurokawa et al, 2008). In Thailand, the government is the driving force of the OTOP programme (Micro Enterprise Strategies Department, 2009). In 2001, a national committee was set up to promote OTOP, representing various government agencies. Primarily, they included: Prime Minister’s Office, Office of Small and Medium Enterprises Promotion, Department of Industry Promotion, and Thai Industrial Standards Institute under the Ministry of Industry, Cooperative Promotion Department under the Ministry of Agriculture, Department of Internal Trade and Acting Inspector under the Ministry of Commerce, and Community Development Department under the Ministry of Interior (Micro Enterprise Strategies Department, 2009).

The OTOP management consisted of committees and ad hoc working groups. As Figure 5.3 shows, the government was involved in most aspects of the OTOP management structure, including the OTOP star system. The star system is a standardization scheme that categorized OTOP producers from one to five stars, with five stars at the highest quality and one star as the lowest quality (NOAC, 2003). The star system was intended to encourage local producers develop themselves from being amateur producers to professional administrators of business (NOAC, 2003).

Figure 5.3: OTOP Management Structure



Source: Micro Enterprise Strategies Department (2009).

If based against the fundamental principles of self-reliance (mentioned earlier), there was more dependence of the OTOP producers upon the government in the Thai context than in the Japanese context. The Thai government intervention is more pronounced as seen, for example, in the product standardization system.[94] Also, OTOP related policies are usually implemented top-down instead of bottom-up, with directives and initiatives from the different ministries.

In the interviews with leaders of Thailand's OTOP Network, they have distinguished that the difference between OTOP and OVOP was also attributed to the different business and cooperative culture in the two countries. From their perspective, cooperatives were not strong enough to operate on their own in Thailand. With Japanese OVOP, cooperatives had a very strong role. For example, everyone in the village produced the same product and combined forces to form cooperatives. In Thailand, each producer in the village had a different product. When they joined together, the group was not that strong because they have dissimilar problems and stories. According to the OTOP Network leader, many Thai producers thought towards individual earning, not mutual or shared earning. In summary, most businesses in Thailand were driven as individual units by business leaders, while Japanese businesses were driven by cooperative efforts and operation. As a result from the different business cultures, product differentiation was also higher amongst OTOP producers than OVOP producers.

5.4 OTOP Policy Agenda Changes

In the relationship between social construction and policy design, the emphasis is on how social constructions are created and manipulated (whether for political gain or for other reasons), and how they evolve over time. Ingram and Schneider (2006) claim that the social

[94] The OTOP products were categorized from one to five stars, with five stars considered as highest quality and products of one star as the lowest quality (National OTOP Administrative Committee, 2003).

construction framework complements theory of policy change as it helps to understand why some policies are susceptible to long, uninterrupted periods on particularly trajectory and others to sudden punctuations. As for OTOP, the policy has gone through several phases and gradual shifts in emphasis (as shown in figure 5.4 below). During the first year of OTOP, emphasis was given to promoting and understanding the main principles and approach of OTOP among communities, producers, and relevant government officials in the central and regional administration. In the following year of 2003, attention on OTOP became more market oriented and priorities were given to building the OTOP brand and raising OTOP product's popularity among the general public (Micro Enterprise Strategies Department, 2009). In 2004, the focus increasingly went to product standardization and improvement in the quality of OTOP standards. For 2005, with the launch of different OTOP exhibitions and trade fairs, concentration went to sales promotion at the domestic and international level. In 2006, emphasis remained on the market aspect of the policy as the highlight went to outstanding OTOP products and campaigns for the Provincial Star Products (Micro Enterprise Strategies Department, 2009). In 2007, with the establishment of a new government headed by Surayud Chulanont, who apparently stood against the TRT administration, OTOP was redirected towards the community focus rather than the market aspects. During 2007, Chulanont tried to rename OTOP as “Local and Community Product” (Micro Enterprise Strategies Department, 2009). However, the new name was not easily recognized and picked up by the public as compared to OTOP. By 2008, the name was changed back to OTOP with a new government of Somchai Wongsawat. Wongsawat was the brother-in-law of former Prime Minister Thaksin Shinawatra who headed the TRT government. During Wongsawat's government, OTOP priority expanded to cover manufacturing communities rather than only small-scale production (Micro Enterprise Strategies Department, 2009).

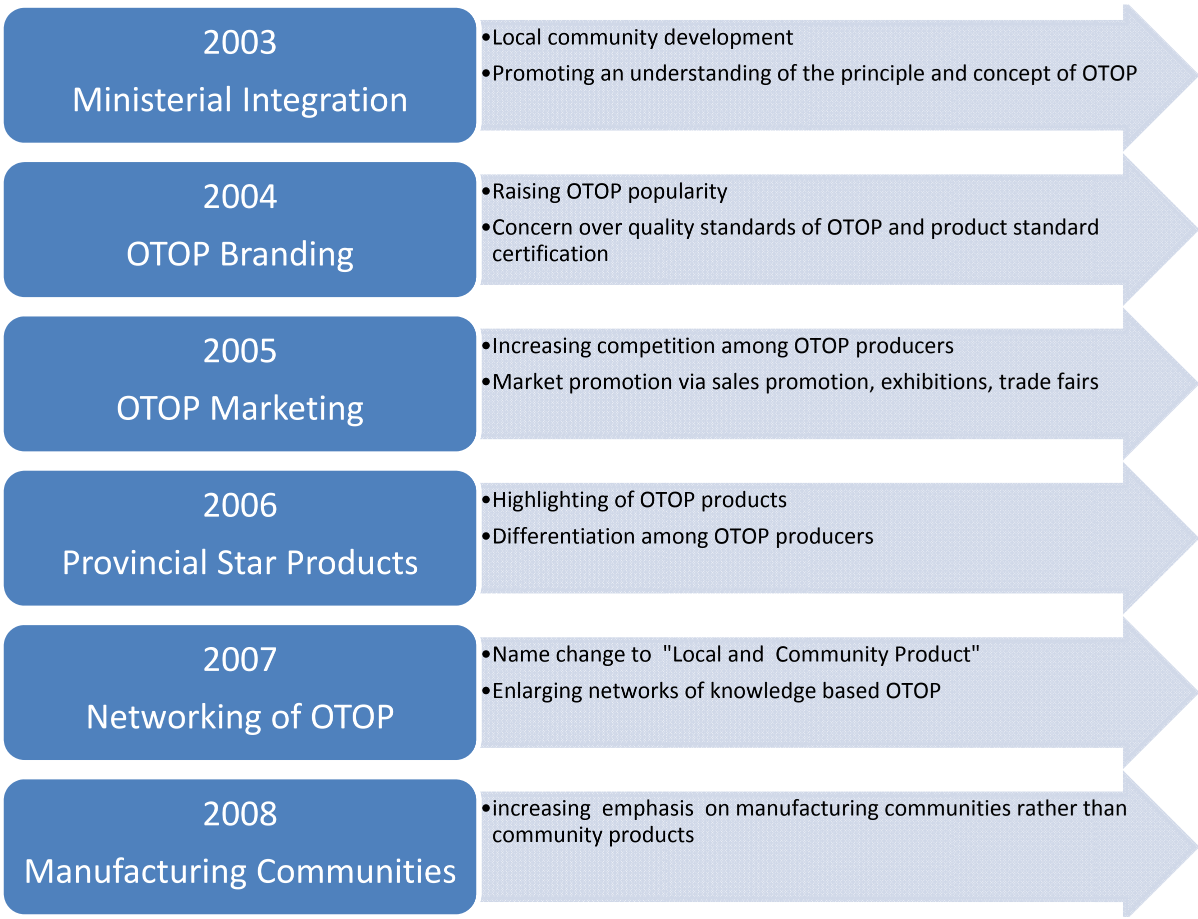
From the evidences of changing OTOP agenda, the policy as implemented was not the same from the government's conception of it. By institutional analysis, the changes found in the OTOP case were endogenous, which emerged over time and emanated from shifts in the balance of power towards the government's interest in responding to stronger business ideas. Coinciding with Streeck and Thelen's analysis, the change in OTOP policy agenda resulted "from an accumulation of gradual and incremental change" (Streeck and Thelen, 2005: 18), which became based on vested interest and influence. The change could be explained by the following reasons: The government followed the path of least resistance, whereby there was less barriers for the government to be moving towards the direction of supporting ready businesses that had more experiences and resources. Fundamentally, to make the market work for poorer producers that needed extra help, the government required greater resources.

Comparatively, OTOP during the formative years of its inceptions was meant to address limited income support and the workers in the rural economy, however, during the latter years, the emphasis became increasingly focused on the business aspect or what Hall and Midgley (2004) describes as the 'enterprise approach to development'. Emphasis on an 'enterprise approach' to tackle poverty and unemployment has generated thinking and debate in many developing context (Kurokawa et al., 2008).[95] At the level of normative debate, critics against the primacy of the market in social welfare (Hall and Midgley, 2004) have argued that a framework of individual self-reliance, entrepreneurship and competitiveness is mistaken by assuming, for instance, that the unemployed possess more agency than they actually do (Lund, 2002). Also, by shifting responsibility for employment and poverty alleviation from government to the unemployed themselves imparts doubt at a pragmatic level, as to whether such programmes would be able to equip participants with the skills and experience to improve their long-term labour market performance (McCord, 2002;

[95] An example would include a debate in policy forum in South Africa.

Mengistae, 2006) or generate sufficient income even in the short term (Adato and Haddad, 2002). The following parts of the thesis seek to contribute to these debates by presenting the findings of the public and private views of the OTOP scheme and what it means for the Thai developmental state.

Figure 5.4 Changing OTOP Focus



Source: Micro Enterprise Strategies Department, 2009

The changes in OTOP policy agenda had a powerful effect upon the producers' perspective regarding the support allocated to the OTOP policy. These reflections were also linked to how the producers were facilitated. For example, for the duration of the TRT's government during the period 2001-2006, producers felt that the OTOP policy was fully supported since it came from the Premier's own initiative. Producers from rural areas mentioned how they received ample handout to participate in the OTOP fairs, including transportation cost and accommodation cost. During the years following 2006, producers commented through the interviews that the full support was cut out, leaving many rural areas unable to participate in the OTOP fairs. Furthermore, producers offered the view that in some ways the OTOP policy represented a hidden agenda of political interest for winning votes. They recognized that former Prime Minister Thaksin Shinawatra was able to win the voter's affection in the rural areas because of OTOP, which saw the benefits going directly to the rural population.[96] In effect, OTOP producers claimed that they had different experiences corresponding to the changes in the government's agenda. These changes are found in table 5.6 below. Importantly, OTOP producers claimed that they experienced increasing distinction between the levels of producers (for example, between producers of 2 stars and 5 stars products). One OTOP producer gave an example that as soon as priority shifted to promoting outstanding OTOP products, training cost would go towards higher stars OTOP producers so that these producers could market their goods internationally. As a result, training did not go through to help one and two stars producers reach higher stars. Importantly, a producer relations manager also claimed that by working with higher star OTOP producers, the government could produce result that was fast and that could be publicized instantly. Meanwhile, the same producer recounted that government officials did not want to work with lower star OTOP producers because she understood that the government did not want to spend more public effort (i.e., in time and resources).

[96] Academics also claimed that such policy was a measure of Thaksin's populist scheme (Phongpaichit and Baker, 2002b; Hewison, 2002).

Table 5.6 Distinction of OTOP Policy Experience

Year	Government	Producers
2003	Ministerial integration, focus on local community development	Grouping and understanding of OTOP producers
2004	OTOP branding	Concerned over the need to meet quality standard of products
2005	OTOP marketing	Increasing competition among producers in order to enter fairs
2006	Provincial star products	Increasing differentiation among producers of different star levels
2007	Promotion of OTOP networks	Different expectation of OTOP from varied producer levels
2008	Manufacturing communities	Increasing distinction among producer levels, hence producers experienced more inclusionary and exclusionary effects

Source: Analysis of interviews with OTOP producers and official reports.

In light of the distinction of the OTOP policy experience among the different levels of producer, the result show that the inclusive process did not last and that there was a gap in policy interpretation and actual implementation. The inclusive process returned to being selective by catering to the stronger business group. As a result, the need to promote economic growth was based on a narrower group, which was distinguishable from the intended original beneficiaries.

5.5 The Changing Role of the Thai Government

The OTOP policy signified changes in the role of the government, whereas, prior to the crisis, the Thai government took a residual role in the social protection for the informal sector. The significance of government role in influencing the scale and mode of provision is apparent under OTOP. Meanwhile, in the interviews with government officials, several views were expressed pertaining to state capacity to direct and facilitate OTOP and to increase its likelihood of being successfully implemented. They included: (1) The government has the influence in steering the direction of the OTOP scheme. They recognize the macro perspective, including the overall problems. (2) Some department (such as the Community Development Department) was able to access and reach the local community. (3) The government recognized where the budget is. (4) The government has a collective working attitude, and therefore works for the public interest. (5) The government is equipped with a readiness of knowledge in community development and is able to increase network for the producers. The articulation of these strengths by government officials suggests that the Thai government was determined to retain an active role of regulating social protection provisions.

Correspondingly, when asked how necessary it was to have government support, many OTOP producers expressed the view that the OTOP scheme has started for so many years, the benefits were seen by people around the country, it seemed only appropriate that the scheme remained supported by the government but with less interference by politics. In their view, producers wanted to see the OTOP scheme secured and stabilized as any other agenda and not used as a political tool to garner votes for politicians. One respondent expounded, “OTOP should be for the people, and not for the politicians.”

Furthermore, when asked amongst the producers what were the weaknesses of OTOP, many claimed that one of the main weaknesses remained in the work of government coordination. In the producers’ perspective, each department believed that they were doing the greater work. Also, the government departments did not coordinate between each other. As a result, work covered replicates. Yet despite this important limitation, the Chairman of Thailand’s OTOP Network claimed that government directives and support remained essential in the Thai context because the government has the power to steer national project. Without the government, there would be no ownership and no incentives to push for the project.

Under government directives, producers considered continuity of official work as vital. Many times, producers recounted upon instances where there were lapses in OTOP promotions, public relations media, funding, and targeted training. It was in the manner of bureaucratic work which producers complained that the government did not have an extended strategy to carry out the vision and objectives of OTOP. Here, government officials recognized that the system of government execution was slow, and that usually, time was spent correcting official mistakes, for example, in implementation policies, which altered according to the different cabinet groups. Coinciding with the producers' view, bureaucratic officials also wanted a clearer and more consistent direction from the top government, for example regarding the indication of OTOP budget use. In this, officials wished that they had certain and specified funding from the state, instead of waiting for public budget allocation following different initiatives or directives. In other words, bureaucrats wanted a fixed and known budget such as that specified or attached to the national development plan.

Under government operation, the way in which the budget was allocated fundamentally affected the work of the different operating agencies and the amount of influence upon policy recipient. In terms of the overall budget allocation, the Bureau of Budget directly allocated annual budgets to operating agencies during the period 2001-2002 (Micro Enterprise Strategies Department, 2009). Following that period, the budget was granted as the Small and Medium Enterprises Promotion Fund (Micro Enterprise Strategies Department, 2009). Below is the summary of budget allocation for OTOP (table 5.7). The reduced allocated budget during the years 2007 and 2008 corresponded to shifts in government administration, namely the administrations of Prime Minister Somchai Wongsawat and Prime Minister Samak Sundaravej respectively (Micro Enterprise Strategies Department, 2009).

Table 5.7: Summary of Budget Allocation for OTOP for Fiscal Years 2003 – 2008

Fiscal Year	Allocated Budget (Million Baht)	Used Budget (Million Baht)
2003	800	713
2004	1,500	1,280
2005	1,000	718
2006	1,000	1,041
2007	500	739
2008	400	47
Total	5,200	4,538

Source: Micro Enterprise Strategies Department (2009).

Funding for OTOP under the National OTOP Administrative Committee (NOAC) aimed mainly at providing OTOP producers with capability development and knowledge and skill advancement; promoting community product's image and marketing channels; and reinforcing the strength of communities (Micro Enterprise Strategies Department, 2009: 21). Officers of the Community Development Department mentioned that the directive for the use of the budget might have been clearer, but it impeded the organization of OTOP fairs. When policy preceded budget approval, this led to slow execution. Many times, the officers were not able to let producers know of the exact dates of the fair until the budget was approved. This led to less preparation time for local producers, thus prohibiting maximum production and sales. At other times, all preparation was done by the Community Development Department but when the project was not approved, OTOP event had to be cancelled. OTOP members did not recognize this and blamed the poor work on the immediate government department to which they had contact with.

In other areas which concerned public work execution such as training, officials held the view that it was important that OTOP participants were patient, and did not only consider training to be periodic and discontinuous. Middle level officials claimed that they had worked hard to carry out policies directed towards producers needing the training, and they believed that results of training required time and effort. Despite any delay, bureaucratic officials nonetheless felt that it was important to have an annual roadmap to unite the work of different government departments. Changes in government hampered this process. They described that as soon as a new administration entered, policies and budget had to be readjusted. Here, producers also spoke of increasing connection with the government. They realized that there was scope for having more say in the budget for instance. This was particularly pertinent when the budget for OTOP was cut by different governments and the producers did not have any input. Meanwhile, producers also proposed a budget reform where half the amount comes from the government, while the other half comes from the producers. In such a way, there would be more scope for the producers to participate and have more say as to how the money was being used. Also, producers wanted to add meaning to the OTOP process. For example, they raised the question of how the product classification system could be converted to facilitate, for example easier loan. A few OTOP producers mentioned in the interviews that it would be to their advantage if securing higher standardization would not only apply to the product type but would also mean that producers of these products would have easier access to loan. Here, many of the OTOP producers still experienced problem with funding. Many relied on forwarding their asset to secure loans from the bank. Many also did not depend on the institutionalized banking system, but borrowed within the community.

From this point, the government was limiting their option to shift the OTOP agenda in the direction that would help local producers who needed support. Instead the government shifted the agenda to accommodate market functioning and local producers who were able to compete or upgrade their products. As such, the direction of developmental welfare reform rested on the calculated interests of more capable businesses as well as the government during the time.

5.5.1 Local Level Administration

At another level, government officials highlighted the importance of local administration, i.e., the tambon, and recognized that local administration potentially had more space to play active roles in support of the OTOP policy. The use of localized administration was different from the previous setting before the 1997 financial crisis and was aimed to foster the inclusionary effect of the policy. According to Hall (1993), the use of tambon administration would be classified as a *second order change* that involved a different instrument in achieving a policy goal. In particular, the choice of the *tambon* as the level for decentralization was meant to increase the potential for effective community participation. Here, local producers expressed in the interviews that as a community member, they were keen to participate when the Tambon Administration Organizations' (TAOs') work impacted on them directly in a positive way. However, concerns were expressed by local producers about how the ministries retained bureaucratic supervision over the TAOs and how tambon members were co-opted into a culture of bureaucracy. Basically, the TAOs had to pick up on all government policies which were instructed to them. Public officials, however, conveyed other concerns that some of these small units were captured by powerful local interests. Correspondingly, producers also expressed in the interviews that they felt the bias in the TAO's operation as influenced by these local interests:

> …Some producers have inside connection with TAOs. They are relatives and therefore they get selected as OTOP producer… They use the [community] name as a front to be qualified as OTOP producers.
>
> Anonymous OTOP producer # 3

At another level, a local producer expressed concern over how TAO members utilized their growing budget. Prior to these growing budgets, TAOs were responsible only for infrastructure provision which had been the focus of local government for a long time.

> …I wished that the government would provide budget for community groups who had less money [or funding], …but I wished the use of these budget went directly to community development centres, not to the TAOs or the [local] administration.
>
> Sungkhalok Group (OTOP Producer)

From the OTOP experience, the impact of the decentralization programme did not result in positive effect of local empowerment and integration as intended. Although the government raised the importance of the local process through the tambon units, the use of tambon administration also led to conflict regarding project selection. Producers felt the bias and competed to be employed in the various projects. While, these negative effects raised villagers' consciousness and expectations, these concerns also suggested that villagers needed to be more involved in the local decision-making process, in order to decrease group fragmentation and competition amongst themselves. As such, the result shows that unintended consequences transpired and led to changes in OTOP development and meaning.

5.6 OTOP Producers and Policy 'Drift'

The previous section has looked at OTOP policy changes in perspective of the government and the social construction of the policy. The following sections aim to understand the extent to which the character of the emergent OTOP policy reflected continuity or change with the preceding developmental welfare configuration, especially for policy recipients. It is questionable as to what these recipients experienced despite that many of the features of OTOP were aimed to contribute to a new sense of domestic *inclusion* or an attempt to make the formally excluded *feel* more a part of the process of economic growth.

The following dimensions, which pointed to changes of Thailand's social protection, were drawn from the interviews: expanded target population, integration within the community, rights to adequate income, labour flexibility, market and self-protection, and redrawn responsibility. Mixed results were found under the categories, which suggest that the realities of policy change are more nuanced than perceived.

Importantly, the different dimensions relate to real risks of the OTOP policy, which were masked under the forces that accounted for policy continuity. These forces, which related to actors' expectation and points of vulnerability, revealed much about the aspects of policy 'drift' (Hacker, 2004, 2005). Hacker noted:

> … institutional or policy frameworks that are path-dependent exhibit strong continuities over time, but those continuities emerge out of the dynamic behavior of agents within an evolving matrix of incentives and constraints that facilitates some changes even while hindering others (Hacker, 2005: 72).

Here, an important element for the continuity of OTOP was the government's ability to combined different interests based on contrasting interpretations of OTOP implementation. As a result of this pattern, the case of OTOP showed that changes of the policy were not a case of exogenous force, but changes that occurred within the policy system. In addition, changes of the policy did not involve the dismantling of the policy, but an incremental process. Under this incremental process, the Thai government had to consider the tradeoffs of working within an existing policy structure or undertaking formal revision. As such, no formal revision of the policy was made. For this reason, evidences of the different dimension below revealed that there was a shift from positive inclusionary benefits to unattended risks under OTOP.

5.6.1 The Target Population

The OTOP policy was aimed at an expanded target population who worked in the rural economy and the informal sector. This target was different from the mainstream provision of protection for the formal sector.[97] Also, this expanded coverage is an important shift from previous circumstances, which saw rural workers moving between employment and unemployment due to the available jobs based on the agricultural season.

In 2007, the number of OTOP producers from all regions totaled 37,840 (Micro Enterprise Strategies Department, 2009). From table 5.8, the Northeast constituted 40% of all OTOP producers, the Northern region 23%, the Central region 13%, the Southern region 12%, Bangkok 8%, and the outer Bangkok region 4% (Micro Enterprise Strategies Department, 2009: 29). The number of producers was highest in the northeastern. This is a significant turn out since the northeast region is also associated with the poorest part of the Thai population (Santisart, 2005: 147). According to the National Statistical Office, the Northeast carries the highest poverty incidence by region with a share of 34.89 per cent for 2000 (NSO, 2002). The significance of OTOP's distributional effect is that the policy reached the groups that needed help.

Table 5.8 Percentage of OTOP Producers and Poverty Incidence by Region

Region	Percentage of Poverty Share[98]	Percentage of OTOP Producers
Bangkok	11	8
Central	18	13
North	19	23
Northeast	35	40
South	14	12

Source: National Statistical Office, 2000; Micro Enterprise Strategies Department, 2009.

The distributional effect of previous social security measures also suggests a different story from OTOP's impact which included the expanded target of women and the informal sector.

[97] Even with attempts to help workers in the rural economy before the introduction of OTOP, these recipients encountered problems of access and misinformation of social security provision, as described in the previous chapter.
[98] For the year 2000.

By the interviews and direct observation during fieldwork, it was found that women and the elderly comprised the majority of OTOP businesses. Women were attracted to entrepreneurship and small-scale business proprietorship as a result of discrimination and social disadvantage in the conventional employment market.[99] The Thai Labour Minister, Paitoon Kaewthong also commented that "while it is true that women were able to enter the Thai labour sector better than in the past, their bargaining rights and overall job security… have decreased" (The Nation, 1998). Correspondingly, women producers expressed explicitly the following views:

> …It was easier for me to make a living by doing a business at home. I know that I could not go on with the job in the factory. I saw many friends leave after a while. I did not know when the time was going to be [for me]… I didn't think about working from home, but when I saw others in the village do it [work from home], I saw an opportunity.
>
> Chiangmai Group (OTOP Producer)

> …Women have responsibilities. We have to chose. If we want to give to our work, then we have to make sacrifice… It is normal. We know it [the situation] is not equal. We know that we have to give up more things.
>
> Baanmoh Housewife Group (OTOP Producer)

The finding of the study also corresponded with Goffee and Scase's (1985) explanation of how women were unlikely to obtain occupational success by means of more traditional career routes in a developing country context. Here, the activation strategies of OTOP have helped stimulate the women's labour force participation rate. Although it may be argued that women already have a high labour market participation rate in Thailand, the main difference with the previous labour market setting was that before there was no challenge to the state provision

[99] Thailand's 1997 constitution mandates equal rights and protection for men and women. However, discrimination against Thai women is still found in terms of professional advancement and wages. Most employers in the private sector hire women only when there is a difference in wage rates. Commonly, firms would rather not hire women or promote them to more important jobs because of traditional attitudes against women working outside the home (Lund and Nicholson, 2006). Likewise, women are not prioritized for skills training and upgrading since it is unlikely that they will be promoted to higher positions (Lund and Nicholson, 2006). Women are commonly employed in service and entertainment jobs, and the informal sector.

of care for children and the elderly.[100] For women producers, the balance between work and family responsibilities was particularly relevant. Before having the option to work at home, women from rural areas had to move to urban areas and joined factory operations to earn their wage. Yet with the OTOP policy, there was a chance for women to reconcile work and family responsibilities, and to stimulate their part-time work. This is found in the producer's statement:

> …Before, I felt torn. Following my years of working in the factory, I had to return home…I experienced health problems, and I received a notice from the factory owner to leave...When I returned [to my village], I felt that I was another burden…When I joined the women's weaving group, I had an option to be another earner for my family… When our weaving group received the OTOP brand, we were asked to join the OTOP fairs.
>
> Thai Dum Baan Pone Community Working Group (OTOP Producer)

In addition, producers claimed that the survival of OTOP enterprises was highly dependent upon female labourers operating within traditional structures, such as deference to older community members and the centrality of family relations. The relation between women business owners and workers became interdependent within complex relations of trust and obligation. Because of high women participation and the assumed ad hoc organizational style, small OTOP firms were however criticized by professionals and established entrepreneurs for failing to adhere to 'rational' methods of production (Corporal, 2008).

Regardless of the critique on the style of women's management, the official report documented that the OTOP programme resulted in jobs creation in over 22,762 villages (Micro Enterprise Strategies Department, 2009). These jobs creation involved women, as well as elders, handicaps and students living in the community who participated in the

[100] A study conducted on this issue by Pattamaporn Busapathumrong (1994) indicated the low level of work-family balance for low income working women in Thailand. Busapathumrong (1994) noted that the unavailability of direct responses to these women's need was related to the lack of vivid evidence showing how serious their problems were.

village's workforce. Collectively, there were over 1,340,000 OTOP members who participated in this nationwide project (Micro Enterprise Strategies Department, 2009).

In terms of the OTOP business structure, approximately 38% of the OTOP production units held 11-20 members (Micro Enterprise Strategies Department, 2009).[101] Respectively, 52% of the production units had 1-10 members, while 9% had 50 members or more (Micro Enterprise Strategies Department, 2009). In general, the production of OTOP's producers took the form of workgroup process with remunerations of wages and profit sharing among members.

From the evidences above, the expanded target population was fulfilled by gender and regional basis. However, subsequent changes associated with the OTOP agenda influenced further construction of different groups within the target population. It is under this construction that one finds assertions of distorted beneficiary claims, which potentially skews the impact of 'expanded target population'. This effect threatened participation among other OTOP producers, which obscured the risks felt by producers with less resources. Constructions of the target population became based on the distribution of the benefits and the burden associated with the policy. Schneider and Ingram (1993) assert that the allocation of policy benefits and burdens depends on the relative social power of groups and also on the 'social constructions' of the groups that the policy is intended to affect. Detail of this construction is discussed in further detail in the next chapter.

[101] The record is based according to the registration database of the Community Development Department of the Ministry of Interior in 2006.

5.6.2 Integration within the Community

Empirical evidence below indicates that OTOP producers experienced integration within the community. However, local level administration or the use of the tambon channel, indicated earlier in this chapter that the selective nature of producers resulted in competition and community disintegration. The contrasting implications of policy impact as described above reveal that there were elements of ‘drift’ (Hacker, 2004, 2005) and that the duality of integration and competition made it harder to detect the setback of competition among producers. First, the section distinguishes experiences of this integration among the OTOP producers. It later distinguishes how the force of integration turned to competition among the producers.

Consequent to the OTOP policy, OTOP producers said that fewer villagers were forced by economic factors to migrate away from their homeland for more household income. Producer members claimed the positive benefits of staying in the village:

> …When we finished from rice harvest, we [usually] go into city. If we do not go [to the city], we did not get the job. All the jobs were in the city…but by staying in the village, we have better family relationship as we [local producers] could stay home while earning a living within the villages without the need to move away from home. This condition helped [family members] to keep a close bond.
>
> Lampang Group (OTOP Producer)

OTOP producers also remarked that a culture of interdependence in communities was revived and networks were built up at levels of intra-community and inter-communities. OTOP members had the chance to participate in communities’ activities, which allowed them to work together and exchange ideas.

> …We have something special that we feel we can pass to our children…[OTOP] allowed us to change our [life]style…before we may have passed things [skills] to our children but we did not know if they could really make something out of it…when they [children] could make earn money from

> their new skill, then there is [a sense of] purpose and [we] also feel that we have a stronger bond in the community.
>
> Kokred Pottery Group (OTOP Producer)

In addition, people of different communities learned about one another's product and craftsmanship. Such community relationship led to the building of community networks, therefore reinforcing community's strength. In 2004, the OTOP Network Committees were established at different levels. The network constituted the following structure depicted in the table below, including 964 networks in total with 26,655 participants (Micro Enterprise Strategies Department, 2009: 29).

Table 5.9. : OTOP Entrepreneur Network

Levels	No. of Networks	No. of Committees
District	876	17,520
Provincial	75	2,250
Regional	12	360
Country	1	-

Source: Micro Enterprise Strategies Department, 2009: 29.

Local producers also commented that they were not pressured to join the network or be in the community production group. This condition is in compliance with the 'decent work' concept, which is the availability of employment in conditions of freedom, equity, security and human dignity (ILO, 2006:1). In the interviews, producers mentioned that they chose to enter the community working group mainly when they saw the opportunity to support their income without interfering with their living situation.

In terms of the other benefits derived from the community network, producers took pride in the availability of specific local knowledge. They even wanted their knowledge to be transferred in a systematic manner. The OTOP producers proposed learning centers so that older member producers could conduct classes for younger generations. They recognized the importance of knowledge conservation, especially when it came from the grassroot economy.

> …We [producers] realized that if we were to think about the opportunities of the OTOP business, we had to look back at who was supporting us. For us, this awareness goes back to the community, the people, and our home…we always look back and we are grateful. If we don't look back, then we can not be sure of where we are going.
>
> Ban Napo Weaving Group (OTOP Producer)

Inferred from this quotation, the sentiments of 'belongingness' and 'connectivity' were shared by the producers who participated in the OTOP scheme. These sentiments matched the official effort, which correspondingly promoted a network of community knowledge or the Knowledge-Based OTOP (KBO) project. KBO aimed to create linkages of community knowledge via, for example, local educational institutes and local intellectuals (Micro Enterprise Strategies Department, 2009: 29). It also aimed to foster the sharing of local knowledge so that product would be developed on the basis of local uniqueness, therefore resulting in product differentiation and competitive value added to the product (Micro Enterprise Strategies Department, 2009: 23).

Along the networks of community knowledge, the OTOP project was also meant to give opportunities for local resource persons to be recognized for bringing prestige to communities after their homegrown works were publicly honoured (Micro Enterprise Strategies Department, 2009: 23). However, the level of societal integration came along with competition among local producers as they competed for this honour. Along with this honour, producers also competed between themselves to deliver the best local products and be the ones chosen to participate in the OTOP scheme.

> …We have to compete and show the officials that we are producing something of value… if not they [the officials] will not choose us. It is very clear…It is

> not easy for us, because sometimes we do not have the experience… Every group has a different background.
>
> Chainat Group (OTOP Producer)

Meanwhile, one producer from the Trad province recounted his personal experience of how competition among local producers led to a closure of an OTOP shop.

> …All went well until the OTOP producers competed amongst themselves and stopped other OTOP producers from selling at the shop even though they were not experiencing high sales… They [the producers] did not want to see the other [producers] sell more…[Eventually], the shop had to close because of the competition between the OTOP producers themselves.
>
> Trad OTOP producer

As follow, it is difficult to demarcate the positive effect on social harmony and the increased fragmentation and social disintegration among local producer groups. Such description corresponded with a 'drift' situation in the context of the OTOP, whereby the policy seemed stable and positive, but its effect is significantly altered due to the level of competition within the tambon and how the producers had to compete among themselves within the community.

5.6.3 Rights to Adequate income

The Thai government claimed that OTOP boosted the national economy and increased sales of local products. Yet, aggregate sales figures represent the macro perspective, which is distinguished from individual impact. Essentially, what did the aggregate sale increase mean for the individual producer? Did the sales translate to changes in income for the producers? Inherently, an individual's well-being is assumed to depend upon his or her living standards, which are typically measured by income or consumption level. However, an important concern for individuals and households with low living standards is the risk of income loss and consequent poverty in the future. The 1997 financial crisis prompted many households to abruptly lose their work and income. Did the introduction of OTOP influence a change of rural household's income level (i.e. increase in disposable income)? This section attempts to address this issue. It finds that local OTOP producers did experience increased income but that they also experienced the *risk* of managing that increased income. Such risk was unattended by the government and contributed to another aspect of 'drift' (Hacker, 2004, 2005) in the policy.

Firstly, the researcher traced evidence of the official sales data, which may have an impact on household income level. According to a government report, after nine months of the OTOP programme, sales of OTOP products amounted to more than 16.7 billion baht (approximately GBP 300 million) (Shinawatra, 2005: 142). During the period between 2003-2008, OTOP entrepreneurs' sales volume increased to 366 billion baht (approximately GBP 7 billion) (Micro Enterprise Strategies Department, 2009: 23).

Table 5.10: Sales Value of OTOP Products, 2002 – 2008.

Year	Sales Volume (Baht) (In Billions)
2002 (Jan. 2002 – Sept. 2002)	17
2003 (Oct. 2002 – Sept. 2003)	33
2004 (Oct. 2003 – Sept. 2004)	46
2005 (Oct. 2004 – Sept. 2005)	55
2006 (Oct. 2005 – Sept. 2006)	68
2007 (Oct. 2006 – Sept. 2007)	71
2008 (Oct. 2007 – Sept. 2008)	77
TOTAL	367

Source: Micro Enterprise Strategies Department, 2009: 23.

In terms of distribution, official document reports that there were 35,000 sale points all over the country during TRT's administration (Shinawatra, 2004: 56). OTOP products were able to enter shelves in leading supermarkets, while prior to this, they were sold mainly on make-shift stalls in the village open markets. The OTOP City Trade Fair also provided opportunities for producers to increase sales. In 2003-2008, OTOP City was held five times with the participation of 24,679 of OTOP producers and the attendance of more than six million visitors (Micro Enterprise Strategies Department, 2009: 27). The five time event resulted in more than three million baht of sales value to the OTOP entrepreneurs (approximately, GBP 60,000) (As shown in table 5.11 below).

Table 5.11: OTOP City Trade Fair

OTOP City	December	Number of Exhibitors Booth	Number of Visitors (In millions)	Revenue* (Baht) (In millions)
First	2003	3,015	1.4	835
Second	2004	7,859	1.7	833
Third	2005	5,000	1.6	1,082
Fourth	2006	4,181	0.6	320
Fifth	2007	4,624	1.0	860
Total		24,679	6.3	3,931

*Revenue refers to income from retail sales during the events excluding income from business orders.
Source: Micro Enterprise Strategies Department, 2009: 27.

Although government reports[102] cited increased sales of OTOP products, certain caveats remain about the data on which these claims were made. Firstly, it is unknown how the data were collected, only that it was collected in the beginning of 2002. Also, the data were not separated according to the different categories of the OTOP products, thus not revealing the differentiation between the varied types of producer groups. Furthermore, the figures in the report do not demonstrate the distinction between new products designed purposively for the OTOP programme and the already existing products that eventually became registered as OTOP products. Here, the utilization of financial indicators alone is not adequate in representing the policy’s potential. Rather, it is equally important to consider the implication in juxtaposition to the quantitative (economic or financial) aspects in interpreting its benefits; For these reasons, while government reports during the period of TRT government showed a relative high number of sales related to OTOP promotion, the significance of this figure

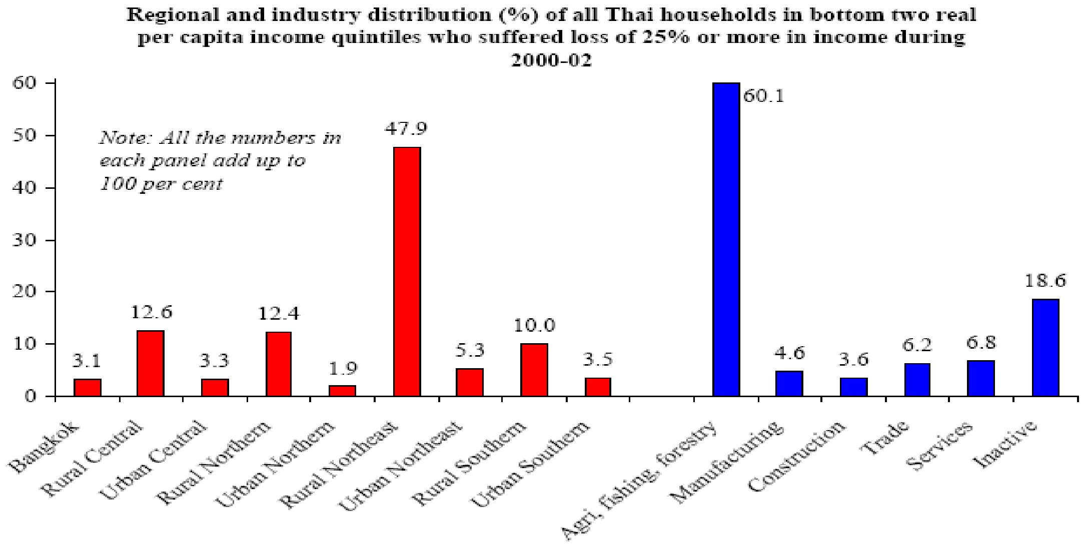
[102] These reports are submitted monthly to the Ministry of Interior. Also, the OTOP Committee at the provincial level grouped the data according to the different provinces.

requires further scrutiny as to what the sales translated to for the workers, i.e., what were the benefits as experienced by the policy beneficiaries.

From the interviews with the OTOP producers, a majority of producers mentioned that sales from OTOP provided an increased income base. This increased income ranged from 10 to 15 per cent based on the previous income. Before officially participating in OTOP, producers mentioned through the interviews that crop farming was the main source of income. When asked further about the baseline of comparison for this increased income, respondents mentioned through the interviews about their previous loss of income, which came from job loss attributable to the 1997 crisis. Subsequent to the crisis, interviewees mentioned other incidences, including: price of agricultural outputs/inputs declined, drought and flooding, and decline in assistance from persons outside the household. Other details relating to income fluctuation were also drawn from the socio-economic survey (SES) (2002), (as found in figure 5.5).[103] The SES 2002 asked all sample households to compare their income during the past 12 months to what it had been in 2000. The result showed the rural Northeast and those working in the agricultural industries experienced the highest loss of 25 per cent or more in their income since 2000.

[103] The Thai government surveys the labour market through sample surveys. The Labour Force Surveys (LFS) are conducted two to four times a year, while Socioeconomic Surveys (SES) are conducted every two years. SES has additional information on household income and expenditure. The National Statistics Office (NSO) is responsible for producing these surveys.

Figure 5.5

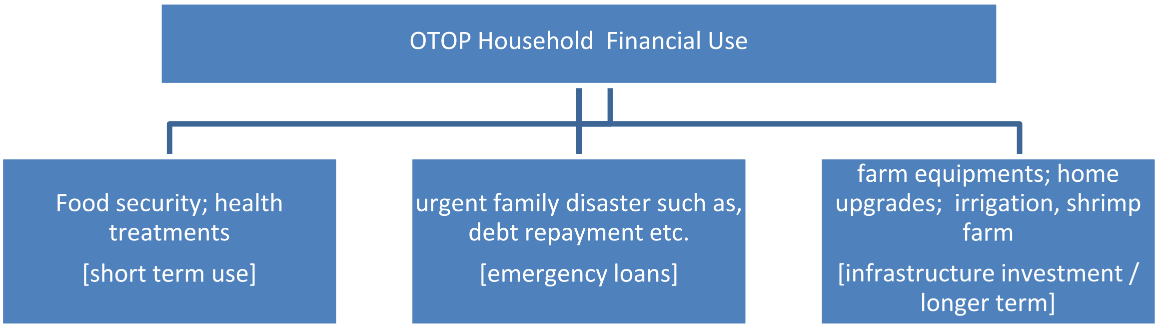


Source: Socioeconomic Survey, 2002.

According to the statistics, producers recounted their experience that the sale of local products, which were part of the OTOP scheme, enabled them to earn money, which was used for various reasons: dig irrigation canals for their fields, laid pipes for running water, paid for electricity and improved their homes. Some producers also used their income to start up shrimp and fish farms. It is important to highlight that local producers also expressed how this increase meant that they had more disposable income,[104] not only for their agricultural activities, but also to cover their children's education and health payment, and carry less debt (as presented in figure 5.6).

[104] The minimum wage for Thailand ranges from 148 Thai Baht to 203 baht per day (GBP 3 – 4), depending on the cost of living in various provinces (Imudom, 2001). Urban areas constitute higher minimum wages. For example, the minimum wage for Bangkok is 206 Baht (approximately GBP 4) per day, while the minimum wage for most Northeastern provinces fall around 150 Baht (approximately GBP 3) (Imudom, 2001).

Figure 5.6: OTOP Household Financial Use



Source: analysis of interviews with OTOP producers.

As shown on Figure 5.6 above, there were various references to how the income derived from OTOP was used differently. One producer, referring to one of her colleagues, claimed:

> ...I saw that she started out with debt, then she was able to pay for her house, later her car. Now she has a big house. That is why I decided to stick to doing what I do. Who would have thought. What started out as a trial turned into a real job. Unbelievable…Now she supports the whole family.
>
> Surin Group (OTOP Producer)

Meanwhile, other OTOP producers spoke of short term use as well as debt repayment derived from the OTOP income:

> …It's hard to depend on the 30 baht scheme [Thailand's health benefit]… in reality, we have to save some money in case we get sick or our children get sick… the money is very tight when we depend only on the rice harvest…that is why we started producing for OTOP. It gives us extra money.
>
> Kalasin Group (OTOP Producer)

> …We are able to pay our debts that we borrowed outside the system… Thankfully, the money [that came] from selling our products helped us pay back for the loan that we borrowed for several uses, including for our children's education… We are lucky that we are able to sell our products.
>
> Sakon Nakorn Group (OTOP Producer)

Furthermore, OTOP had more than just financial benefits: having the chance to participate in activities or not be burdened by personal debt had a psychological bearing for the workers. This was mentioned in several occasions by the respondents:

> …We [the villager] can put our head up high, knowing we are making money for ourselves. We are not worried that we can not pay back and are shamed by the village.
>
> Nakornsawan Group (OTOP Producer)

> …We [the villagers] feel free and we feel that we belonged to the community. We work ...[and] we contribute. We have an identity… [and] we can say that we come from such and such village…we work with the people of this or that village. It is a real [sense of] community.
>
> Chiang Mai Group (OTOP Producer)

Implicit in these quotations is the notion that increased income allowed OTOP producers to participate in activities of the society in which they lived, thus enhancing the inclusionary effect. Nonetheless, further enquiry revealed that local producers had to spread their income to OTOP production especially to maintain their product standard. In the interviews, OTOP producers mentioned that while most debts were linked to their agricultural work, other debts were associated with the cost of production for their OTOP products i.e. raw materials cost. This effect suggested that OTOP producers had to use their earning to keep their OTOP businesses, and therefore had less income to spend on their household use. To some extent, the cost of running the OTOP businesses even created debt for some producers.

> In the first year, we end up with loss because we did not know how to run the business… It was the lowest point for us… We thought if we produce and sell, we get the money. No… we had problems with the product standards…Our products got rejected…we had to put more [money] into the business to make the standard better. It came to a point when we [questioned] if we should continue [to be] with OTOP.
>
> Pechabun Group (OTOP Producer)

Furthermore, added income did not suggest that local OTOP producers were able to manage their finance. In fact, producers claimed that the increased income did not equate to sufficiency or increased saving. “There were more and more to spend on… [It] never seemed enough,” claimed a local OTOP producer. On the other hand, officials did not offer basic accounting skills to the OTOP producers even when their businesses grew. The increased level of income that OTOP producers experienced therefore did not offer all positive effect and suggested potential burden of financial mismanagement. As such, experience of added income imposed new risks associated with income use for local producers. This was a set of risks which was undetected and which also contributed to the policy ‘drift’.

5.6.4 Labour Flexibility

Most activation effort has been directed towards individualising responsibility and promoting employability. This has been associated with attempts to make the labour market more flexible. Creating more ‘labor market flexibility’ is one of the key goals of economic and social adjustment within the context of a changing global division of labor. This section elaborates on how the aim to promote labour flexibility under OTOP has left producers with risks linked to employment. The section begins by outlining the basic assumption regarding labour flexibility.

A country with a flexible labor market, able to shift workers from one economic activity to another quickly, smoothly, and without social disruption, is assumed to have competitive advantage over countries unable to adjust smoothly to quickly changing demands for various working skills (Klau and Mittlestadt, 1986).[105] Labor market inflexibility, on the other hand, can be one of the major factors that obstruct steady growth of a national economy. Vickery and Campbell (1989) report that skill shortage is a major constraint on flexible personnel usage and a rapid adaptation of new technologies. Efficient labour market functioning,

[105] This is the case, especially as technology progresses and consumer tastes vary.

signified by flexibility and the reintegration of the unemployed into jobs, therefore is important to economic growth.

Neo-Liberal thinking suggests a forced choice between labor-market flexibility and job security (World Bank, 1995). An increase of labor market flexibility implies a decrease of employment security as the duration of one person staying in a job reduces. This may be the case when a person between insecure jobs and are not able to enjoy job security.[106] In this context, 'flexibility' may be mistaken for reducing job security. Here, different historical and institutional context brings forth a different balance between job security and labour market flexibility. The case of industrialized countries with extensive social protection and security system offers a different result from a developing country context in which social insurance systems are weak or nonexistent. For example, in the industrialized countries, hefty severance payments make it expensive for firms to dismiss redundant workers. Also, prior notification to pertinent trade union or to the government before dismissal often limit an employer's capacity to fire workers once they are hired on a firm's payroll (Brunhes, 1989). Moreover, in many industrialized countries, provision of social insurance would still allow for the citizens to experience some level of economic security following work dismissal. In the case of a developing country context, however, a dismissal does not guarantee any economic security without formal unemployment insurance.

For Thailand, the political economy of the country underwent a transformation in the structures of economic organization especially during the 1997 financial crisis. Dramatically, the financial crisis changed the structure of Thailand's labor market because firms needed to cut back all excessive labor and facilities in order to subsist and carry out the restructuring

[106] Brunhes (1989) raises concern about the creation of a 'two –tier society' when inequalities widen between those who have a steady job and others who switch between insecure jobs and are not able to enjoy job security.

process. As a result, employment protection regulations in the country were partially eased, even for the formal sector.

As workers were laid off and faced job insecurity, the experience of those who participated in OTOP demonstrated mixed results. High level producers who also took managerial tasks claimed that the skills they acquired made them felt more confident to pursue other jobs. These producers recounted that they experienced enhanced feelings of job security because they grasped specialized knowledge and skill.

> ... I gained many skills. If I had not participated in OTOP, I would not have become a manager... It is like you self promote [yourself]. I think it is hard for me to do this outside... I feel more confident to do other jobs... I think it gives me the opportunity to learn more.
>
> Manager/producer, Animal Horn (OTOP group)

For other OTOP producers, positive assurance from the OTOP scheme induced these producers to take up production as their main job instead of returning to their old jobs.

> … After a few months of doing local pottery, I decided to shift [from working in the rice field]. Also my nephews who used to work in the factory, picked up pottery instead of going back [to the factory]. [For my nephews] they did not know when they were going to be laid off, but working in the village, we can talk so that we know what is the next stage [of production].
>
> Kokred Group (OTOP Producer)

When further questioned about how the rural workers generally resolved their unemployment situation, the important distinction between ‘unemployment’ and ‘underemployment’ surfaced. Producers claimed that before, while working in the agricultural sector, not all rural workers considered themselves unemployed even if they were not fully occupied. Under-employment, rather than unemployment, was a real risk that these workers experienced.

After the OTOP experience, however, producers claimed that they were able to make better use of their time and contributed to their production since their trade was not seasonal.

> …We [local producers] were not affected by the weather or the season in carrying on our weaving. We could do it[the weaving] anytime as long as there was an order [for purchase]. Most of the time, we could not weave fast enough…Before, when worked in the rice field, we had to hurry and reap the rice, then it was over, and we had to wait for the next harvest.
>
> Buriram Group (OTOP Producer)

Inferred from this quotation is the notion that participation with the OTOP programme ameliorated the risk of underemployment and unemployment to a certain level as compared to the previous working arrangement in the agricultural sector. Nonetheless, this protection was not for all. The case study demonstrates that not all local producers could find meaning and hone their skills through the OTOP scheme.

It was found from the interviews with producers that young people, were less likely to remain in the OTOP scheme. Here, many of the artisans who produced OTOP products acquired their skills from their family, especially older members who have been involved in the trade, for instance, weavers whose skill has been passed down by older members of the family or specific community. In an interview with the Kokred Pottery Handicraft Group, local producers mentioned that only two artisans came out of the training of 30 young villagers. Producers recount that young villagers did not have the patience to master the skills and they also looked out for other fast grabbing opportunities.

> … It is more about the moment, young people do not have the patience. They want work now. The skills we provide take time for them to master… It is not fast enough for them to make a living.
>
> Kokred Group (OTOP Producer)

Meanwhile, other producers mentioned that the skills that they attained were not transferable to other jobs. Mainly, these producers comprised of mid-level producers who only undertook the production task and not the managerial duty. They engaged in skills that were specific to their trade, i.e. weaving, crafting, etc. At another level, some non-OTOP producers argued that such active labour market policy by itself does not provide adequate insurance against the employment risks linked to globalization. They argued that attempts to increase labour market flexibility can lead to job insecurity and further entrance of workers into the unprotected informal labour market in the developing country context. In this regard, the experience of some OTOP producers verified the case. Non-OTOP producers claimed that they had colleagues who initially started out in OTOP but failed and opted out of the programme. For these producers, they experienced job insecurity while trying to build their OTOP business. Henceforth, the view:

> …OTOP is not for everyone. You [the producers] need to have business skills, not just know about producing local crafts. We know of those [producers] who left because they did not know how to manage their business. At the end, they left [the market] because they couldn't compete… What is worse is that they wasted their time and money trying to do something that did not work for them.
>
> Non-OTOP producer # 1

The different results of the OTOP experience suggested that the actual intent of the policy was not fully realized for all and that changes in OTOP towards the market approach left potential workers without a job. As a result, labour flexibility under OTOP did not result in job security for all rural workers. Those who could not develop their business skills had to leave OTOP. This effect demonstrated further risks for workers who spent their time working for OTOP when in actuality entrepreneurship did not suit them. The lack of government support or its nonattendance to these problems contributed to another aspect of policy 'drift' (Hacker, 2004, 2005).

5.6.5 Self-Protection and the Market

Working under the OTOP scheme suggests increasing exposure to the market. A sense of self-protection from the risks found in the market offers insightful implication for change and adaptation.[107] The study detects that OTOP producers experienced risks associated with the market, but such risk was not as apparent to the producers. Blind sighted by positive gains and the potential of the market, many producers did not communicate the risks of market failure to the government. Rather, when asked about dimensions associated with the market, OTOP producers mentioned most frequently about increasing market opportunities and their own business expansion. For example, one producer spoke of setting up a tourist center or a destination OTOP town which sells OTOP products in order to combine product promotion with tourism. When further questioned about the dynamic of the market, producers mentioned that they wanted to tap the international market. However, they complained of the grave distinction between the domestic benchmark and the international standard.

For the domestic market, local producers spoke of the common threat of competition between producers. Some alluded to the internal threat of local producers replicating each other's products, resulting in market saturation and deterioration of the OTOP brand.

> …It is just as bad that we have to compete with other producers who are not honest and fair, and chose to copy our product…If you go to [the] tambon, you will see hundreds of similar products. It's crazy.
>
> Nakornsawan Group (OTOP Producer)

Local competition notwithstanding, none of the respondents spoke of the external threats of the international market. Rather, it was the government officials who mentioned that the local producers were oblivious to risks associated with outside players. Government officials

[107] Here, perception of risk is associated with coping mechanisms and opportunities in the market (as expressed and interpreted during the interviews).

who were interviewed mentioned that most OTOP producers assumed a well functioning economy, and were not prepared for global financial risks.

> When the economy is good, no one complains…they [producers] do not think how they can prepare themselves if the economy is bad… this [non-preparation] is dangerous.
>
> Government official,
> Department of Industrial Promotion

Another official adds that none of the producers spoke of the expansion of the ASEAN market and how the situation meant that there would also be more competition of local producers from other ASEAN countries. Apart from market threats, government officials added further that producers lacked an understanding of megatrends of the global markets. These megatrends consisted of opportunities for an expanded market in the aging society, the green market, etc. - many ideas which were part of the creative economy that the Thai government was supporting, and which provided space for further product creation. As follows, finding from the interviews suggests that not all local producers were equipped to self-protect themselves against market failures, since they did not make the connection between global market threats with the local economy. Meanwhile, local producers were also not aware of external opportunities that could enhance their business.

In summary, perception of risk and coping in the market is critical to how the intended objectives of a policy are actualized. The government's original intent was to provide opportunities and raised productivity of the informal sector, and not to increase the producers' risk. The finding of the study illustrates that the OTOP producers were not aware of the many risks linked to the market. More importantly, they did not know how to protect themselves from the risks in both the domestic and the international markets. In addition, there was no evidence to suggest that the government was attending to the real concerns of market competition experienced by the local producers. This effect of further risk exposure therefore represents another side of policy 'drift' (Hacker, 2004, 2005) in the OTOP context.

5.6.6 Redrawn Responsibility

As found in the previous section, the case of OTOP reveals an important aspect of unattended risks. A major account of that risk is associated with the capacity of OTOP producers to secure protection for themselves. A finding in the study reveals that OTOP provided a chance for self-reliance and activism as well as opportunity for increased productivity. However, only those with the resources and entrepreneurial skill took up responsibility in building their business and protecting themselves against the risks of unemployment and loss income. As a result, the level of shared risks was unequal among producers, and the government was less likely to correct this policy 'drift'. The following section provides the detail of how producers encountered different levels of risk through different conception of the OTOP policy, which were perceived under the shift in redrawn responsibility from the government to the individuals.

Basically, the rationales of the OTOP policy imparted messages to OTOP producers that informed them of their status as citizens and how they were likely to be treated by the government. Interviews with different producers revealed that when it came to the spectrum of expectation about taking responsibility for their business and welfare protection, producers had different expectations regarding support from the government (i.e., imposed self-reliance rather than dependence on the state).

> …The government should help us more. We need more resources than others because we only started our business. Some producers have been doing this [business] for a while.
>
> Anonymous OTOP producer # 4

> …We cannot wait for the government to help with everything. It is impossible. If we expect government to help with everything, it is unrealistic. OTOP is not the same as normal assistance… We also have to carry the responsibility.
>
> Kachanaburi Group (OTOP Producer)

Predominantly, it is found in the study that not all producers took the initiative to increase their productivity and earnings in exchange for the support garnered from the state. Thus, the activation principle was not experienced and understood immediately by all policy recipients. Local producers also experienced this differentiation, as found in the view below.

> …Not all producers understand what OTOP stands for and the benefits they could receive from the programme. They do not know the value of the exchange in the programme……We saw that OTOP stood for a different kind of programme. It was not the usual government assistance. We have to work in order to get the support. We have to help [ourselves] first…But not all producers think that way…
>
> Chonburi Group (OTOP Producer)

At many levels, these mixed opinions from local producers are attributable to the producer's personal experience as well as to the kind and level of producers that they were. A case in point was mentioned by one of the producers from the Trad province, who mentioned that many of the OTOP producers got together around his province to form a one-stop OTOP shop. Producers had mix views about opening the shop. Primarily, those who maintained strong businesses held the view that the government was merely there to support the OTOP producers. Therefore, *self-reliance* was a prime issue and it was not appropriate for the many other OTOP producers to insist that the government was responsible for increasing OTOP sales, for example, to open an OTOP shop. On the other hand, policy beneficiaries with less developed businesses held a different view on what activation meant and what was the appropriate level of government intervention. As follow, the mentality of social assistance, the need to be helped and supported, was noticed with those who had less resource, while those more ready entrepreneurs perceived OTOP to be a spring board which would allow them to help themselves. For example, there was a sense of activism amongst the group of four to five stars OTOP producers. These producers recognized the need to be autonomous in their own thinking and practice. There was even a mention amongst these producers of operating as a cooperative. Producers referred to how the cooperative setting would allow them to exchange ideas about sources of raw materials and production methods. It would also allow them to identify and to solve their own problems.

Correspondingly, when asked about the boundaries of public and private responsibility, government officials preferred that there was increased community self-reliance and that producers followed the principles of sufficiency economy to sustain themselves. Officials complained that many producers produced products without consideration of the market. "Many producers do not develop their product but replicate others resulting in market saturation," exclaimed an official from the Ministry of Industry. Here, officials recognized that support given to such kind of producers led to wasted effort. It was important for producers to understand their own business, develop the products themselves, and that the government was not responsible for increasing sale, but that the government was meant to be merely the facilitator of the producers' businesses.[108]

This section has highlighted the evolving features of the OTOP policy. The distinction between OTOP producers of different capacity levels and factors of activism are keys to the outcome of the OTOP policy. So far, the OTOP result suggests that the activation principle was not grasped and understood by all policy recipients. Those who did not grasp the idea were prone to more risks and took less responsibility for protecting themselves. This effect suggested a 'drift' in the policy due to non-decisions of the Thai government to respond to

[108] From the interviews, bureaucratic officials also recognized that there were opportunities to allocate increasing responsibilities to producers rather than only provide support to them. For example, in arranging training, officials began to pick more experienced producers to convey skills to less developed producers. In summary, officials increasingly promoted an aspect of self-reliance among the producers.

the changing circumstances and the ambiguous expectations of the producers, which were not met by the same level of government understanding and support.

5.7 Implication of the OTOP Policy Changes

The perspective of those affected by and involved in the implementation of the policy reveals the extent of behavioural change that the policy required of the policy beneficiaries. For instance, the different levels of understanding in ‘activism’, the demonstration of entrepreneurial skills, or the perception of market risk, affected the producers’ business experience and ultimately the government’s intent to include those in the rural economy. Without a common understanding between beneficiaries and the government, policy implementers were unlikely to experience success in achieving the stated objectives. As follow, the development of OTOP was characterized by a growing gap between the original design of the policy and its subsequent application.

The struggle over ideas in the formation and transformation of institutions is a key pattern of change. The fact that OTOP was first introduced to address the gap in previous welfare condition, but that it gradually became the base for a new type of logic of social protection, suggests that key actors in the policy process did not have a common and coherent vision of the policy paradigm in the first place. Rather, this goes back to the evidence that the choice in favour of the OTOP policy was built in opposition to the past, where social protection was residual for workers in the rural economy.

Inherently, the shift from developmental features (i.e., community income support) towards the "enterprise approach" (Midgely and Hall, 2004) and increasing competition among local producers led to subsequent disintegrating effect between producers trying to secure positions at the tambon level. This pattern of change reflected the problem of unintended consequences, especially of the risks and market exclusion that local producers encountered.

Meanwhile, the positive inclusionary agendas, which masked emergent risks of the producers, served as resistance to further policy adaptation. It was a mechanism of institutional continuity, whereby the Thai government used the label of OTOP to suggest positive benefits for those in the rural economy, when in actuality the benefits of the policy were skewed. In other words, the positive feedback discussed in the earlier section covered the emergent risks that local OTOP producers of different levels subsequently faced as the policy shifted its focus (as shown in the summary table 5.12).[109] Fundamentally, as policy recipients experienced risks associated, for example, with market competition, the Thai government did not address the risk. Instead the government went on to help the producer groups that were not exposed to the risks and were ready to exhibit results that the government could showcase as positive outputs.

[109] Differential impacts of OTOP are divided into two groups, one that engendered positive inclusionary experience and another division which resulted in emergent risks and which contributed to the mixed outcomes.

Table 5. 12: Summary of Changes Linked to OTOP

Changes	Positive Inclusionary Effects	Emergent Risks
Target population	Inclusion of women group and workers from different regions.	Social construction of target population and distorted beneficiary group resulting from changes in policy function and purposes. [to be discussed in further detail in the next chapter]
Community integration	Sense of belongingness and connectivity within community.	Local level administration or the ‘tambon’ channel resulted in selection bias and disintegration within community.
Rights to adequate income	Increased income support, which allowed increased participation with other activities.	Market emphasis of the policy suggested that acquired income had to go towards improving the OTOP products and less on household needs.
Labour flexibility	Workers at higher level obtained managerial and marketing skill, therefore experienced increased security.	Labour flexibility did not result in job security especially for younger workers, and those who could not develop their business skills.
Self protection and the market	Producers focused on market opportunity for business self expansion.	Producers were not intuitive about external threats, and depended on the well functioning market.
Redrawn responsibility	OTOP provided a chance for self-reliance and activism as well as an opportunity for increased productivity.	Only those with resource and entrepreneurial skill took up responsibility for themselves.

Source: Analysis of interviews and documentary data.

While the policy failed to be adapted to cover a set of emergent risks that increased in salience over time, the key actors, notably the government and the dominant business groups, took charge of the changes within the policy. It is under this context that OTOP was adapted “to serve new goals or fit the interests of new actors” (Thelen et al, 2005:26), and possibly the position of ‘drift’ gradually moved towards ‘conversion’, whereby “…the support coalitions behind the [original intent] of the polic[y] have proved weaker [and] the latitude for internal change greater…" (Hacker, 2005: 75). This development is explored in further detail in the next chapter, which identifies constructions of the target population of the OTOP policy and how this configuration influenced the changing power relations among the actors and the way in which the policy was practiced.

5.8 Conclusion

In conclusion, this chapter presented the findings of a qualitative study of the OTOP policy. It has charted the transformation in social protection from (1) the pre-1997 system to (2) a post-crisis system of which OTOP was an important part, as embodying a more inclusionary aspect of social protection that aimed to cover those in the informal sector and the rural economy. The transformation suggested further changes in the role of the government and the perceptions of market functioning. The initiative reflected a growing policy emphasis that encouraged entrepreneurship among local communities by providing marketing channels for small business creation. Prior to this focus, the impact of structural adjustment programmes had seen the shift of sector enterprises failing to provide the growing population with sufficient levels of income and employment. As such, the development of private activities as seen in the OTOP case study, became the alternative to job stagnation and reduction, as well as support in income for workers in the rural economy as well as the informal sector.

The empirical evidence presented in chapter five demonstrated how the culturally specific nature of activation as found in Thailand was rather different from the prevalent model in the OECD or developed economies. Here, the OTOP policy raised consciousness for community members as having an opportunity to earn more income if they worked together. However, the findings also suggest that amidst the positive inclusionary changes, participants of the

OTOP policy still experienced mixed results and various forms of vulnerability, i.e., potential risk from the market, selection bias of OTOP producers, and different levels of responsibility sharing. The government's decision not to respond to the local producers' vulnerabilities and exposed set of risks led to an eventual 'drift' of the policy. While this drift occurred, it is also speculated that the government and the stronger business groups, in promoting their own interests, converted the functions and purposes of OTOP. An analysis of this further change for OTOP is explored in the next chapter.

Chapter 6

The Classification and Conversion of OTOP

The last chapter has identified how ‘drift’ occurred in the context of OTOP. It identified the gradual recurrence of risks as faced by policy recipients. This chapter picks up on how the OTOP policy evolved. It examines the *properties* of institutions that permitted change, which Mahoney and Thelen (2010: 14) identify as including reinterpreted ‘ambiguity’. Mahoney and Thelen’s (2010) conceptualization extends the historical institutionalism (HI) logic by identifying instances of ‘ambiguity,’[110] as contested and used for stakeholders’ interest. According to Mahoney and Thelen (2010), ambiguity occurs when there is a gap between policy interpretations and policy implementation. This contested terrain underlines how institutions evolve, and how there may be modification in the types of incremental change. Streeck (2009) puts it as follow:

> Those acting within [institutions] are forced to absorb a great deal of uncertainty, which in turn both *constrains and allows* them continuously to redefine the institutions within which they act, in the process of enacting them. (Streeck, 2009: 101).

It follows that during instances of incremental change and identified ‘ambiguities’, policy sorting and selection take place. In policy sorting, the developmental state is ‘stratifying’ the potential beneficiary population. This echoes Esping-Andersen’s (1990) important point that the welfare state does not merely protect against risks but it also stratifies.[111] This is also compared to Wood and Gough’s (2006) ‘stratification effect’.[112] Based on the imperative of

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[110] HI would identify ‘ambiguity’ as eventually being formalized (Mahoney & Thelen, 2010).

[111] Esping-Andersen (1990) refers in particular to conservative welfare state maintaining a pension system .For example, while conservative social policy attempts to preserve the traditional status quo or hierarchy, dualism is found in the liberal approach to social policy which considers freedom of competition in the market (Esping-Andersen, 1990).

[112] Wood and Gough’s (2006: 1701) ‘stratification’ effect also highlight the range of social inequalities and the unequal distribution of power that influences the welfare outcomes of a country. The stratification effect is believed to reproduce the institutional conditions of ‘exploitation’, ‘exclusion’, ‘domination’ and ‘inequality’ (Wood and Gough, 2006: 1701).

social stratification, this additional dimension, which influences welfare outcomes, is taken into consideration accordingly for the OTOP case study in this chapter.

The OTOP policy had an implicit population that it intended to help and therefore also a population that was not part of the target population. The OTOP case study also exhibited different forms of incremental changes, namely from ‘drift’ to ‘conversion’. Under this transition, agents reproduced and reinterpreted the OTOP policy towards further market competition. It light of this enactment, policy actors were ridden with personally vested interests. In order to uncover how actors deal with one another under conditions which advances institutional changes, this chapter uses the framework of Schneider and Ingram’s (1993, 2008) ‘social construction of target population’ as a lens to analyze the power distributional implication of institutions and how policy framing orientates to different expectation of policy responses. The framework thus helps identify who the actors are and their role, hence addressing the underlying causes of the processes of incremental changes and uncovering the beneficiary effect in practice. Essentially, why was the beneficiary effect different from the target population and why did the target population shifted.

Application of Schneider and Ingram’s framework of ‘social construction of target population’ (1993, 2008) demonstrates that there were variations in the OTOP policy reception and adaptation. Understanding the nature of target populations required an account of where group identities were derived, how they varied or adjusted, and how social and political institutions decided among contending definitions of group identity in making policy (Schneider and Ingram, 1993). The framework therefore connects social construction with historical and institutional analysis by outlining the influence that institutions have on people, especially when policy embeds certain constructions and send messages that impact on people's identity and beliefs of the target groups. Ingram and Schneider (2006) make the point that the SCTP framework complements theory of policy change as it explains why some policies are disposed to uninterrupted periods, while others are prone to sudden punctuations. Thus, under the study of institutional change, the dynamic conception of SCTP is seen as contributing to shifts that are internally generated.

Essentially, study on SCTP of OTOP enabled the researcher to determine where responses to policy changes occurred and what the stakes were. Fundamentally, the construction goes back to the original assumption of the thesis which maintains that the post-crisis policy shift addressed changes in the target population by including workers in the rural economy. In the case of OTOP, the scheme was adopted precisely in order to benefit certain groups that were not significant beneficiaries of the previous World Bank approach. Hence, the study examines if the beneficiaries remained with the intended target group as the policy transpired. The chapter addresses the underlying assumption of whether the division of target population fell within the prescribed categories of 'advantaged' 'dependents' 'contenders' and 'deviants' as described by Schneider and Ingram (1993). Also, by asking who the OTOP policy was designed to benefit, the query also addressed who was not designed to benefit from the policy and if the policy had addressed the problem of the intended target population.

The chapter is organized into three parts. The first part discusses OTOP's categorization and its application to the SCTP framework. The second part covers SCTP as elements of *conversion* and mechanism of endogenous policy change. It elaborates on the concentration of benefit and the dispersion of burden following the construction of the policy. The third part discusses the implication and the findings of the research with regard to the changing content of the OTOP policy.

Chapter 6

6.1 The Classification of OTOP

Before going into the context of SCTP, it is important to first delineate the methodology which elicited the findings in this chapter. Social constructions for OTOP policy in this research was ascertained from interviews of policymakers, persons within the target group and members of the public constituting entrepreneurs who were not part of OTOP as well as policy advisors and developmental specialists. Much of the previous research on OTOP looked upon the policy at the aggregate level without distinguishing the impact among different groups of policy recipient. This research aimed to fill this gap and therefore divided the policy recipient among those with higher stars and lower stars (see Chapter 5) as well as non participants of OTOP.

A 'typological classification' (Lewis and Ritchie, 2003: 244) was established to capture the OTOP producers' perspectives according to Ingram and Schneider's (1993, 2008) framework of SCTP. Two dimensions were used in the designation of categories - benefits and burden and the power positioning of the policy recipients. The four categories established were: Advantaged, Contenders, Dependents, and Deviants. As mentioned earlier, this typology was drawn from Schneider and Ingram's (1993) social construction of target population framework. It does not follow the primary sampling criterion of the thesis which included a purposive sampling of government officials, OTOP producers, non-OTOP producers, and development specialists. By comparing theoretically the assumption on incremental changes with the position and arguments of the interviewees, the interviewees' position regarding concentrated benefits and dispersed burdens were categorized. Interviewees who shared a similar belief system (particularly in their performance and the views on the distribution of benefits and burden) were aggregated to corresponding categories of the target population.

6.2 Features of OTOP Businesses

In order to understand the classification of OTOP, it is important to first note that OTOP businesses are categorized mostly as *dependent* firms, in which their economic viability is determined by the customers with whom they trade.[113] The nature of their work processes are externally regulated through their purchasers' specifications about the quality and the quantity of the OTOP output. Thus, apart from the artisan skills acquired from older family members (i.e. weavers whose skill has been passed down by older members of the family or specific community), the relevance of business skills and market conditions shaping the nature of OTOP business strategy is critically important. Here, some OTOP producers gave positive reviews during the interviews regarding how the programme helped increase entrepreneurial knowledge and skills in production and marketing processes. For instance, prior to OTOP, local wisdoms were scattered in all regions.

> …The skill we got was attention to marketing. Also, because OTOP was a national project, we feel that there is someone [the government] overlooking us, so we have to take it seriously.
>
> Saraburi Group (OTOP producer)

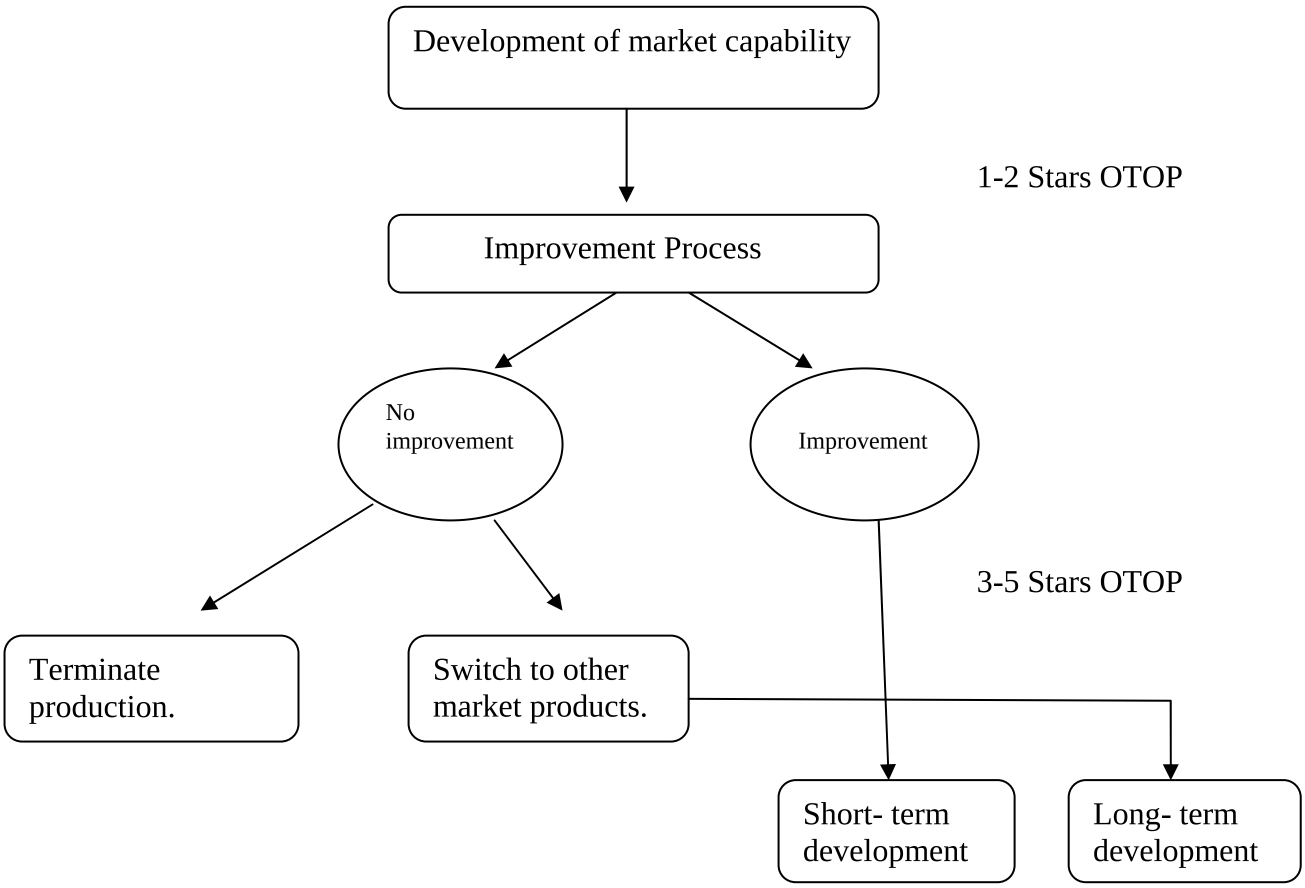
> …Before, many [household] in the village would pass the skill and knowledge to their children but it was up to chance if they could make something out of that knowledge…
>
> Rachaburi Group (OTOP producer)

> ….We [producer] had to push ourselves with our business, especially with production and marketing, because if we didn't do that we would not be able to compete with other OTOP producers and that means we would lose our chance with the opportunity we have been waiting for.
>
> Lampang Group (OTOP producer)

[113] According to Rainnie (1989), it is possible to identify four types of small firms: dependent, dominated, isolated, and innovative.

As the OTOP policy became more focused on the market aspects (described earlier in Chapter Five), the Thai government claimed that producers had a more structured market development model, as shown in Figure 6.1. Essentially, according to the OSMEP Summary Report 2003-2008 (Micro Enterprise Strategies Department, 2009), OTOP producers were meant to go through different stages of production. Starting from market capability development, producers were to improve product standards. If they did not improve, they were to terminate production or had the option to switch to more marketable goods with the help of the Tambon Administration Office (TAO) and the regional OTOP subcommittee. Depending on the producer type and conditions of production, producers could experiment with short term development or long term development once they reached satisfactory market capability. The objective then was to integrate to the internal and external market. This was to be achieved through the support of interrelated government agencies, i.e., Community Development Department and Department of Export Promotion (Micro Enterprise Strategies Department, 2009).

Figure 6.1 OTOP Market Development Model



Source: Micro Enterprise Strategies Department, 2009.

According to the market development model mentioned above, OTOP producers exhibited different levels of business skill, which became a factoring account of how the policy shifted to accommodate changing policy goals.

6.2.1 The OTOP Star System and Its Implication

The OTOP programme focused on business skills and tried to enhance market access that were missing. For instance, production capacity and the ability to supply the volume of products required by buyers posed a major problem for producers who were constrained by resources, i.e., human resource, available time, and raw materials. The government saw this as a distinguishable problem. In the past, not every batch of local products met the market standard, because producers did not have the experience and the acumen in product and process standardization. For example, villagers were not familiar with the use of chemical dyes since they had been accustomed to applying natural dyes to their products.

> …The villagers would use techniques that were local, and not modern… We did not discredit them for their ways [techniques], but the important consequence was that there was no consistency in production… This posed as a problem when products went out to the market… and consumers had expectations from their products.
>
> Government officer,
> Department of Industrial Promotion

Standardization for community products was set up along with the establishment of the Thai Community Product Standard (TCPS) to serve as qualification requirements for the producers to have verification for their product's quality standards. This criteria for community product's quality certification also gave public recognition and assurance for consumers. During 2003-2008, the Thai Industrial Standards Institute (TISI) of the Ministry of Industry, issued 1,446 community product standards covering all types of OTOP products (Micro Enterprise Strategies Department, 2009: 26). TCPS certification approval was carried out in central administration and in 20 provinces. Meanwhile, 33,267 products received certification approval, while 10,107 products had gone through random post-certification monitoring (Micro Enterprise Strategies Department, 2009: 26). The TCPS certification lasted for three years from the issue date and had to be renewed once expired.

In addition, the government laid a standardization system by the *OTOP star system* (National OTOP Administrative Committee, 2003). The OTOP products were categorized from one to five stars, with five stars considered as highest quality and products of one star as the lowest quality. Specifically, many of the OTOP businesses that were of lower stars (one to two stars) encountered problems of business set up and marketing more than businesses of three to five stars. The following table shows the product classification by the star system for the year 2003-2006.

Table 6.1: OTOP Product Classification

Product Classification	2003		2004		2006	
	Product Number	%	Product Number	%	Product Number	%
Products in the contest	16,808	-	28,910	-	13,970	-
5-Star Product	626	9.03	539	1.96	800	5.73
4-Star Product	2,583	37.26	2,177	7.92	3,678	26.33
3-Star Product	3,723	53.71	4,734	17.21	4,671	33.44
2-Star Product	-	-	16,611	60.39	4,017	28.75
1-Star Product	-	-	3,443	12.52	804	5.76
Total	6,932	100.00	27,504	100.00	13,970	100.00

Source: Micro Enterprise Strategies Department, 2009: 27.

The OTOP star system required renewal every two years for every producer. Government officials claimed that the star system served as a motivation for low star producers to move up the scale. Basically, the system was meant to help local producers move from being amateurs to professional administrators of businesses. In addition, government report indicates that OTOP products have received a higher recognition following attention to product standard and packaging (Micro Enterprise Strategies Department, 2009). Official report document that following the OTOP programme, there was a systematic collection and value adding process with professional management, resulting in over 600 items of high priced 5 star OTOP products (Shinawatra, 2004: 56). In the year 2004, there were 29,000 productive communities, an increase from 16,000 communities in 2003 (Micro Enterprise Strategies Department, 2009). As a result, a total of 6,392 OTOP products were upgraded (Shinawatra, 2004).

Fundamentally, the OTOP star system remains a point of contention. For those who moved up the scale, they attributed this shift mainly to the use of new technology and the learning of what the market wanted. For other positive results, villagers alluded that the *star system* promoted producers with real artisan skills and eliminated those who copied other producers' product. Local villagers claimed in the interviews that producers without true knowledge dropped out of the scheme after many failed attempts of experimenting with local knowledge. Notwithstanding such effects, government officials however claimed that many local producers remained amateurs despite the given opportunities to improve themselves. When asked why the producers were not able to move up the scale, some OTOP producers claimed that they did not have adequate financial resources and raw materials. Meanwhile, the chairman of Thailand's OTOP Network mentioned that in practice, the lower star producers, without the raw materials and financial resources, ended up doing work outsourced by higher star producers.

From these findings, the OTOP scheme seems to have benefited some producers, but there remained a lack of assistance for the broad target group[114] which allowed them to compete and move up the scale of being better producers. For example, government officials claimed that counseling and quality training could not be provided at the individualized basis. Here, government officials recognized their limitation in staffs and resources, and their knowledge on entrepreneurship.

> …We do not have the staff to understand and respond to individual business. It is just impossible…It is expected that some producers will lose out.
>
> Government officer, Thai Industrial Standard Institute (TISI)

[114] This broad target group consisted of rural workers who mainly made up the informal sector.

As a result, the actual benefits experienced by the OTOP beneficiaries were contingent upon the individual ability and readiness of local entrepreneurs. Close inspection of the beneficiaries' experiences reveal that the application of entrepreneurial knowledge did not translate to positive impact in all cases. There were real concerns in the attempt to make markets work for small scale producers. In the case of OTOP, the market based approach resulted in the creation of an insider-outsider market, which is discussed in further detail in the next section.

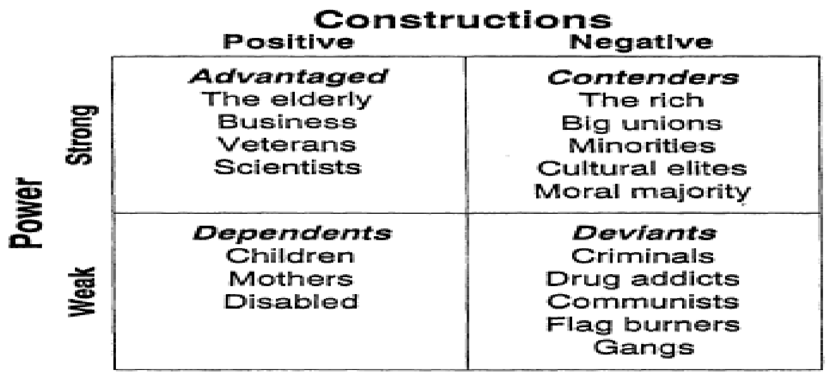
6.3 SCTP and OTOP

The OTOP star system seems to have generated division between producers. Further inspection reveals that the differentiated organizational structure and social constructions of OTOP producers added to further division of the target population. In the relationship between social constructions and public policy, the emphasis is on how social construction are created and manipulated, how they change, and the role of policy in these dynamic processes (Schneider and Ingram, 1993). The framework connects social construction with policy design, proposing that the characteristics of public policies differ depending on whether the target groups are 'advantaged', 'contenders', 'dependents', or 'deviants' (Schneider and Ingram, 1993: 337).

According to Schneider and Ingram (1993) social constructions influence the policy agenda and the selection of policy tools, as well as the rationales that legitimate policy choices. Constructions become embedded in policy as messages are absorbed by citizens and affect their orientation and participation. Furthermore, constructions portray groups in positive or negative terms. A four cell classification scheme for social groups is defined by two dimensions of power and social construction (Schneider and Ingram, 1993). Powerful, positively constructed groups belong to the *advantaged* group; powerful, negatively constructed groups are labelled as the *contenders*; the weak but positively constructed groups are called *dependents*; and the unfortunately weak and negatively constructed groups are labelled *deviants* (Schneider and Ingram, 1993: 336-7).

Figure 6.2

Social Constructions and Political Power: Types of Target Populations



Source: Schneider and Ingram, 1993: 336.

According to the 2006 survey and registration data base of the Community Development Department of the Interior Ministry, there was a total of 37,840 OTOP producers, of which 67% of these producers (approximately 25,358) were classified as community producers, while 27% (9,910) producers were sole proprietors and 6% (2,572) were small and medium enterprises (SMEs) respectively (Micro Enterprise Strategies Department, 2009). In terms of these registry criteria, an official distinction of the target population only came later in the policy stage. Prior to 2006, the government did not make this distinction. Rather, under the implied recognition of differential capacity and production skills, it can be said that the Thai government perceived lower stars producer groups and new business launchers fell in the *dependent* category, while many of the four to five stars businesses lay in the *advantaged* group. According to this construction, the Thai government regarded lowered stars producers as relatively weaker. From the interviews, one-two stars producers consisted of individual producers or community groups that gathered together to produce new products. These producers exhibited less resources and experience than four to five stars producers. Meanwhile, the government saw the four stars as meeting the objectives of the policy. From direct observation and interviews with four to five stars producers, those in the advantaged group were the ones with the following qualifications: (1) at least 3-4 years of business experience (2) existing market channels and business network (3) distinguishable and unique product, i.e., claim of being the sole distributor (4) strong human resource background, i.e., community network.

For the *contender* group, the government considered non-OTOP producers to be competing with the OTOP producers because these non-OTOP producers took up the market space of business. This is not to say that there were limited space in the market, but according to government officials, non-OTOP producers had the flexibility and less restriction to follow the OTOP star prescriptions. In other words, non-OTOP producers had the freedom to conduct their business while OTOP producers had to go through the standardization process before receiving branding support and being accepted as certified producers. Non-OTOP producers were able to dominate the market before OTOP producers.

Figure 6.3: OTOP Social Constructions of Target Population

		Constructions Positive	Negative
Power	Strong	**Advantaged** Highly experienced OTOP producers (mostly 4-5 stars producers) SMEs (according to the government)	**Contenders** Non-OTOP producers (according to the government) SMEs (according to Dependents)
	Weak	**Dependents** Small-scale producers (mostly 1-3 stars producers) (This group was relatively weaker than the producers in the *advantaged* group. They were supposed to receive government support and accumulate their skill over time, thus possibly moving up to the *advantaged* group. However, this change did not happen for many producers.)	**Deviants** OTOP producers without actual knowledge but who replicate other producers

Source: Analysis of interviews and documentary analysis.

What is interesting to see amongst the OTOP producers is that small firms of one to two stars were the ones that needed the most help but were the ones receiving less support than the firms with four to five stars. For reasons such as the government's need to display effective and fast programme execution or policy effectiveness, intended benefits did not reach those who needed the support. As a result, when asked among lower tiered OTOP producers, the group comprising of small and medium enterprises or SMEs[115] was often regarded as potential threats and in conflict with the other groups' interests. Therefore, SMEs were also categorized as *contenders* according to the dependent group. Small-scale OTOP producers shared their impression that contending SME's transformed their status to "community" enterprises by registering their employees as local community members while the group leader conducts management power.

[115] By the government's definition of SME (Micro Enterprise Strategies Department, 2009), activity for the production or service of these kind of businesses could involve employment of up to 200 people and their income did not exceed 200 million baht (4.04 million GBP).

> …Usually, I suspect that there are about 50 per cent who are not really community groups. They are business people who bring in the community members as their members in order to 'get' the market.
> Surin Weaving Group (OTOP producers)

> …There have been cases where individuals think of individual gain and trust had been broken where they [the producers] move on to do their own thing and choose to separate and leave the marginalized group.
> Rachburi OTOP producers

The unregulated nature of business in the informal sector allowed these SMEs to make profit while not distributing this profit to the group members. For instance, group member received fixed wages instead of income in proportion of the profit coming in to the business. For this reason, commercial transaction generated through contending SMEs activities can not be said to guarantee income distribution in rural areas. It had to be through actual redistribution of profit that workers could get what they truly deserved.

Community producers believed that since these SMEs compete for the OTOP space, it is assumed that these contending SMEs did not perform as well in the wider markets.

> …Most [producers] that want to enter [the market] are higher end producers such as SME because they see OTOP as the channel for their marketing. Usually those who are able to produce do not want to push themselves upward because they do not want to lose this market [space].
> Saraburi OTOP producers

As lower tiered producers found it harder to compete and upscale their business, they regarded these contending SME producers in a negative light as stealing the place of those that deserved the actual benefits. This circumstance stood in contrast to Schneider and Ingram (1993:336) claim that:

> Public officials find it to their advantage to provide beneficial policy to the advantaged groups who are both powerful and positively constructed as 'deserving' because not only will the group itself respond favourably but

> others will approve of the beneficial policy's being conferred on deserving people.

Furthermore, what transpired for OTOP coincided with Lieberman's (1995: 439) assertion that the dynamics of institutional change and group identity can have changing effects that either reinforce or alter the positions of groups. For this reason, the categories defined by the government did not match the categories designed by social prescription. Therefore, it is important to consider *whose* construction is being analyzed when referring to Schneider and Ingram's (1993) SCTP. Essentially, who assigns the categories makes a difference in the analysis.

Meanwhile, interviews with officers reveal that the Thai government did not see the high end producers as contenders in as much that the state needed these producers to legitimize the success and sustainability of the OTOP programme. An officer from the Department of Industrial Promotion claimed, "It is not just about the producers needing the state help. The state needs the local producers as well." Implicitly, local authorities could use these SME cases as the tambon's successful producers, while promoting the OTOP brand. It is for this reason that government still regarded the SMEs in a positive light.

In effect, the contender group of the more established businesses ended up being the proximate target even when the dependent group of the lower stars producers or new entrants to the market should have been the more logical or the intended beneficiaries of the policy. It is important to note that the small local businesses of new market entrants had a higher potential to fail than more established businesses, therefore such businesses required more planning and supportive measures to increase their chances of success. Here, it is found through the interviews with officials that ideas for smaller businesses were not continuously grounded in the realities of market demands that either existed or could be developed in the rural environments where they were established. Similarly, interviews with OTOP producers reveal that in practice, local communities came together to decide on producing certain products but did not have the knowledge about the local market potential.[116]

To the extent that market competition directly affected the OTOP recipients, the policy punished those target group that were not able to improve their products or compete fully in the market, and not the actual *deviant group* who consisted of those who engaged in unethical business practice but who received the OTOP stamp by replicating other producers' product.[117] OTOP producers shared through the interviews how some novice producers had to leave the OTOP programme because they were not able to sell their products when other deviant producers copied their products. In such cases, marketing and management problems resulted in inferior producers not being able to compete with others. Other reasons resulting in substandard production was the difficulty in pushing "entrepreneurship" among local producers. For example, many of the producers did not have the business acumen in pricing their products. Since OTOP provided free booths and display sites, some OTOP producers did not include the renting cost in their product selling price. As a result, when these producers went to sell their products in other places that were not subsidized by the government, they had to mark up the product selling price. This led to inconsistent pricing, which affected the distributional capacity. A producer recounted her experience that a customer who once bought the same product at an OTOP fair asked her for the same sale price even though the product was sold at another market at which the producers had to

[116] In the absence of identified market potentials, many of the trainings were planned as one-off occasion following public budget allocation rather than as a match to market potentials (according to the interviews with OTOP producers). Meanwhile, government officers recognized the problem and complained about experiencing difficulty in continuing the trainings due to the top down driven approach of policy. For this reason, skills training of the OTOP scheme did not lead to sustained skill development and added value for community members.

[117] The deviant groups led to non-authenticity and saturation of similar kind of products in the market.

increase the cost to cover additional rental space. Several encounters such as the one described above reduced the profit margin for the producers. Here, it can be said that OTOP producers still encountered problems of integrating and transacting within the real market.

Meanwhile, the government also experienced problems in promoting entrepreneurship. At the aggregate level, officials encountered a lack of human resources. The idea of entrepreneurship among community members was hard to promote at an individual basis. Government officials mentioned that they did not have the personnel to go around facilitating and consulting individual startups for business growth. At another level, not all public officials had the understanding in entrepreneurship. A top official of the Department of Industrial Promotion remarked, “his subordinates have never had or run their own business. They have been bureaucrats for the most part of their career”.

6.3.1 SCTP: Mechanism of formal inclusion or exclusion?

Schneider and Ingram (1993) argue that policies affect ‘target populations’ perception of participation and willingness to comply with policy directives. When asked whether producers would choose to participate in OTOP or not, all 4-5 stars answered affirmatively with the explanation that the option allowed them to boost their business. A four star producer in the craft business explained, “any exposure was considered beneficial for those who did not have any other sources of marketing.” Meanwhile, a producer also in the craft business who had three stars made the following comment:

> …OTOP allowed the business to be supported in several ways, such as, in making our products have [certain] standards. However, at times we [the producers] were asked to do something that we were hesitant about such as

> repackaging our product in a particular way. The direction or guidance given to us did not add to increased sales but more to increased cost of the product.
> Three star OTOP producer

When asked among non-OTOP producers, these entrepreneurs mentioned that they found the policy a burden. "There were too many stages in registering," claimed one non-OTOP producer. Importantly, the policy objectives did not addressed their level of needs. These needs pertained to improved livelihood, a return of more income to producers, and actual empowerment of smallholder. As non-OTOP producers expressed their views:

> …OTOP covers business that is market driven… It is a mistake that it [the government] only focuses on trading and business knowledge and loses sight of other general skills such as building the ability [or capacity] of the producers so that they can be strong and not continuously depend on the state.
> Lao Song Group,
> Non- OTOP producers

> …The government has given in to "capitalism". And they are too timid to regulate business which requires them to behave better. As a result, only the strong businesses benefit. What is the point to that? That [situation] could be done without OTOP.
> Nonthaburi group,
> Non- OTOP producers

As for other reasons for not joining OTOP, many developing producers claimed that they did not have the financial resources and the human resources to maintain the business. Also, they mentioned that they were not able to sustain the OTOP standard of their products. For example, when asked about the unsuccessful business attempts, producers claimed that the government did not understand the needs of producers with less experience and resources. One producer commented about why his fellow producers left OTOP:

> …In the beginning, when [OTOP] programme was introduced, we said to each other, "Ok, this is our chance now" but as [the time] went by, my friend found it really hard to compete in the market. He did not have as much experience that I have… It was sad that he did not continue. The government covered mainly the needs [of businesses] that were ready to move to the next level of being promoted…
> Surin group, OTOP producers

As such, the study reveals that there was a gap in the 'social construction of target population' framework, in which the target population chose not to engage with the policy that was aimed to benefit because the policy did not address the problems of the target population.

6.4 SCTP and 'Conversion'

Under incremental institutional change, the differentiation between 'drift' (Hacker,2005; Streeck and Thelen, 2005) and 'conversion' (Streeck and Thelen, 2005) may be less clear because diverse understandings of policy goals could lead to different interpretation on the types of policy change. Since it may be argued that the process of 'conversion' is subjective and based on interpretations, i.e., whether a policy is converted depends on the benchmark of measuring shifting policy goals and objectives, this thesis demonstrates that by deconstructing a policy and outlining the distribution of benefits and burden among the target population, one is able to detect actual conversion based on the primary purposes and action of each target group.

The case of OTOP demonstrated that 'conversion' took place. Here, a shift in construction was seen when groups of the target population converted the OTOP policy to their needs. Hacker (2005:70) notes that conversion relates to 'ground-level operation that has shifted in directions at odds with the initial goals'. In the case of OTOP, the selection process of OTOP producers was initially based on community groups and emergent producers that demonstrated skills in local products. Later on, however, those who had more business knowledge, and who performed better in the market, had a better chance in being selected. Here, the initial goals of OTOP have been diverted to accommodate advanced businesses.

Producers had mixed opinions regarding this market dimension. Some felt it was an opportunity for entrepreneurial learning and improvement. Others felt the lack of distributive justice. One OTOP producer from the fabric category mentioned, “it would be appropriate for the government to consider actual OTOP producers, and try to avoid the middle men, who aim to reap the most profit out of the system.”

In the case of OTOP, policy conversion related to strategies and manipulation of both a specific group of beneficiaries and the government. In describing conversion, Hacker (2005:75) notes:

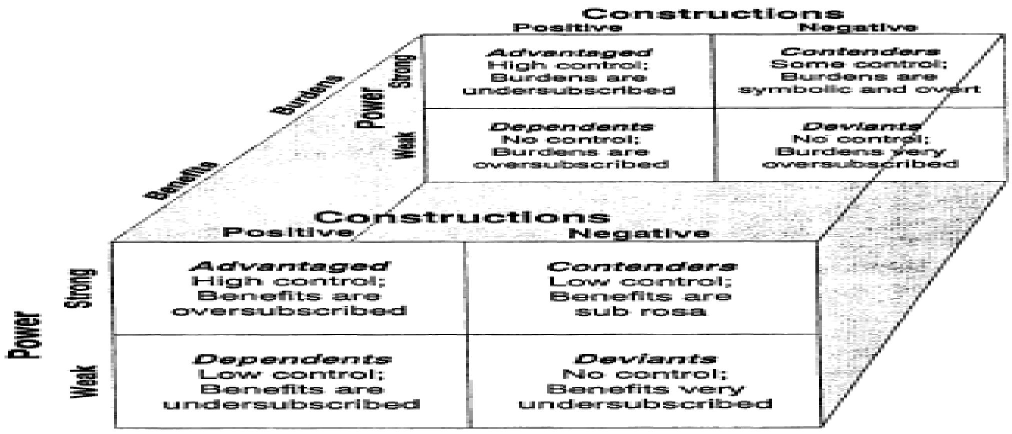
> When the support coalitions behind policies have proved weaker or the latitude for internal change greater, they have turned to strategies of internal conversion, changing policies’ aims or operation without significantly changing their formal structure.

Other less dominant actors (less experienced local producers in this context) adapted their behavior to reinforce a new path as institutional changes moved in the direction sought by the key actors. This reinforces Streeck and Thelen’s point (2005:27) that actors are strategic and can interpret an institution’s rules to their interest even if they were not originally part of the design of the institution. This is elaborated in the next section which discusses the distribution of benefits and burden among the target population.

6.4.1 Concentration of Benefits & Dispersion of Burden

The extent to which benefits and burden of institutional changes were dispersed or concentrated had a significant bearing on the OTOP policy. According to Schneider and Ingram (2003), *benefits* and *burdens* are allocated among the groups on the basis of social and political power. Schneider and Ingram (1993) argues that the allocation of policy benefits and burdens depends on the relative social power of groups and also the ‘social constructions’ of the groups that policies are intended to affect. A model is constructed to account for the allocation of burdens and benefits among the basis of social groups (shown in figure 6.4). Advantaged groups, for example, will receive high benefits, low burdens, and control over agendas and policymaking, while dependents will receive low benefits and higher burdens than the advantaged group. Schneider and Ingram (2003) note how that in most case, the benefits of the policy are directed to the powerful, positively viewed groups. On the other hand, punishment is directed to the negatively constructed powerless group. In the case of OTOP, officials did not attribute punishment (i.e. reduced benefits or distributed resources, denied access to information, discouragement to organization) to the negatively constructed powerless group. Rather punishment went to the intended dependent group, as seen in the following part.

Figure. 6.4: Allocation of Benefits and Burdens



Source: Schneider and Ingram (1993: 337).

Originally, the main aim of OTOP was to generate benefits for workers in the rural economy by strengthening agricultural producers and their use of the OTOP brand to generate self-reliance and further income (Micro Enterprise Strategies Department, 2009). These benefits were aimed to address several market imperfections that questioned the ability of trade to lift them out of poverty. These included lack of market access and the inability to switch to other sources of income generation. For instance, prior to OTOP, agricultural producers could not access functioning markets due to their remoteness and lack of information about the markets.[118] If they traded their products, producers claimed through the interviews that they relied on the middlemen who offered one price or traded in their local village. There was no supply chain structure to reach the wider markets because they did not have the information or the logistics to bring their products out. Moreover, small scale producers with little direct market feedback was not able to capture knowledge about quality requirement and business capacity requirement.

Furthermore, producers were not able to switch from one income-generating activity to another due to the lack of knowledge about other income sources.[119] Income diversification would have reduced the risk attached to reliance on only farming or on a particular agricultural market. Yet with OTOP, primary producers were supposed to overcome these market imperfections by acquiring more market knowledge. In addition, the organization of small scale producers into groups of producers was meant to improve the trading standard by capturing more of the market price and increased knowledge transfer. This goes back to the consideration of real benefits, as put forward by a development specialist of the Network Coordination Centre for Sufficiency Economy. He claimed that:

> Once the informal rural labour is able to be an organized group, they are better able to compete…Reliability, overall quality, and productivity all increase and they are able to respond to competition. If they however do not develop, then the enterprise goes under. These are the things that go hand in hand.
>
> Director,
> Network Coordination Centre for Sufficiency Economy

In addition, the OTOP brand was meant to isolate producers whose products did not qualify for certification. Here, the OTOP brand was meant to represent value driven imperatives of quality, cultural promotion, and investment in the rural economy (Micro Enterprise Strategies

[118] The observation was drawn from interviews with OTOP producers.
[119] Ibid

Department, 2009). However, the OTOP brand adopted conflicting position when it increasingly represented the high-end producers. As a result, the benefits became concentrated on the dominant producer groups or the experienced SMEs. These benefits included governmental support at the level of operation which helped advanced businesses to expand and have access to the functioning market. These benefits were also linked to the OTOP product logo, which appealed to the external high market, and which provided a brand value for these business operators.

In addition, the tax structure was meant to encourage local villagers and communities to register as OTOP producers, but it was also a gap that provided an incentive for SMEs to register as OTOP producers. Comparatively, SMEs received further tax benefit by registering as OTOP producers. The only taxes that OTOP producers were liable to were property tax and tax label (Micro Enterprise Strategies Department, 2009). However, SME producers had to pay for corporate income tax if they were not registered as OTOP. According to the Royal Decree 394, the tax for SME is 15 per cent of net profit for less than 1 million Baht (49.4 million GBP), 25 percent for a net profit of over 1 million but not more than 3 million baht (49.4 – 60.1 million GBP), a tax rate of 30 per cent for a net profit in excess of 3 million baht (60.1 million GBP) (Royal decree 394 B.E.2545).

Meanwhile, the burden associated with OTOP raised several challenges. As found in this research, the government found it difficult to monitor the behaviour of individual producers, while the burden associated with tailoring interventions to individual business condition was high. This burden increased when producers were diverse in terms of their individual characteristics (e.g. their skills and labour market experience) and when the obligations imposed upon them differentiated according to individual business profiles.

The dependent groups, on the other hand, felt the burden of increased debt resulting from unsuccessful business attempts. When less experienced producers tried to stay in the OTOP programme, they had to endure several business trials of improving their products in order to increase their ‘star’ scale. The process entailed increased raw materials and technical skills, which meant more expenses.

> If possible, we want help with the raw materials, it is not enough… We also don’t have enough money to expand our production or buy more raw products. If the government can come in and help specifically with our need it would be good.
>
> Surin Weavers Group (OTOP producer)

However, with the government’s attention on the accomplished producers, the needs of the less experienced producers were left behind. The government would provide training on export production while many of the local producers were not at that business level yet. For instance, the OTOP Task Force of the Department of Export Promotion (DEP) developed activities that promoted the export of OTOP products (Micro Enterprise Strategies Department, 2009). Meanwhile, village communities that encountered challenges of quality control, production capacity, and meeting deadlines, were not even close to export quality. As a result, the OTOP process was not focused on offering better trading conditions and securing the rights of emerging producer groups, but gave priority to developed businesses.

It is important to point out that the impact of the aforementioned burdens was not directly felt by the public, and therefore opposition did not emerge during policy implementation. Because these burdens were not played out publicly, there was no mobilization of pressure groups that opposed the changes or exerted pressures for reversed or altered decisions. Furthermore, there were no unions of OTOP producers. Basically, recipients of the OTOP policy were viewed as clients by the Thai government. Many of the producers recognized problems associated with OTOP, but did not press the issue as participants in a cooperative process. Rather, according to the interviews, OTOP producers saw themselves as atomized individuals in dealing with the government.

> …There are many areas that we think could be improved [for OTOP]. For instance, training, sourcing of raw materials…etc. …In fact, we don't know that if we push [the problem] towards the government that the officers would respond.
>
> Mahasarakam Group, (OTOP producers)

Mainly, producers experienced and addressed the stake of the OTOP policy at an individual level. This was particular poignant for the group of four to five stars OTOP producers, who demanded more benefits for themselves such as government support in pushing their products to the international market. They recognized that their skills and products were different from one to two stars producers, and that they had more potential than the other OTOP producers. As such, the four and five stars producers represented themselves rather than the aggregate OTOP groups.

Apart from the concentration of benefits among advanced producers and the absence of public awareness, the Thai government had several other factors in sustaining the OTOP policy without responding to the burdens of the 'dependent' target population. For instance, the TRT government already had a broad-based public support, and it was not likely to be threatened by public opposition on a single policy at the time. Meanwhile, the government was also ready to support the concentrated benefits of the four and five stars producers because the government was already pushing for policies in support of SMEs promotion (Shinawatra, 2004).

The lack of a powerful coalition to defend against apparent burdens of OTOP corresponded with Hacker's (2005:48) description in the table below that the barriers to internal change becomes low during 'conversion'.

Table 6.2: Modes of Policy Change

	Barriers to internal change	
	High	Low
High Status-quo bias of political environment	Drift Transformation of stable policies due to changing circumstances	Conversion Internal adaptation of existing policies

Source: Hacker, J.S. (2005: 48)

Under the process of conversion, the Thai government had to consider the tradeoff of working within an existing policy structure or undertake formal revision. With a stake in policy change, public officials involved in OTOP claimed that it would have incurred a heavier cost in addressing the issues of unequal promotion and production support. This is evident by an officer's comment whose work involved dealing with OTOP producers:

> When we consider inputs for OTOP, we have to consider the consequences… meaning, no one else deals with the consequences… The public does not have to carry the cost with us, but the bureaucrats still have to manage the budget.
>
> Government official,
> Department of Industrial Promotion

The government faced the reality of accounting for the cost of change, which likely made them protect the status quo and the interest of those who shared mutual benefits with the government. This corresponded with Hacker's comment:

> Policy reformers face the fundamental question of whether the sacrifice to their aims that they must make to work within an existing policy structure outweighs the political costs of undertaking formal revision (Hacker, 2005: 75).

As such, expanding the role of governments to mitigate the inequities thrown up by the liberal market systems posed opportunities for less egalitarian ways particularly, when the stakes in pursuing OTOP changes were low and did not threaten the existence of the political regime.

6.5 Institutional Stability and Change: Lessons from SCTP

The distinction between the recipients of the OTOP groups bears important conclusion to the theory of social construction of target population, and the general implication regarding policy change. In the case of OTOP, the ways in which the target group was socially constructed had the unexpected effect of the policy becoming the opportunity for mobilization and generating a backlash that might not otherwise have occurred. Basically, while the small businesses that did not get the necessary assistance were displaced, the contending business groups exploited the period of ambiguity within the prevailing system, which permitted different policy interpretations. These contending businesses reinforced issues of self-help and progressive activation.[120] This orientated the whole construction of OTOP towards a different direction of policy responses, which embodies ‘work motivation’ and ‘successful entrepreneurship’ rather than basic rural unemployment and increased income. Here, SCTP was particularly useful in detecting ‘conversion’ because the distribution of benefits and burden discloses to which end the policy is directed. In other words, instead of merely detecting the shifts in policy goals, it was helpful to consider who was making the shift and who were the supporters and detractors. Also, the SCTP

[120] The OTOP case provides an illustration of the logic of ‘opportunists’ variety of ‘change agents’ (Mahoney and Thelen , 2010: 26), which pursue conversion when it suited their interests. ‘Opportunists’ exploit possibilities within the prevailing system to achieve their own ends (Mahoney and Thelen , 2010).

construction helped identify that a same policy can go through different process of incremental change, herein both aspects of ‘drift’ and ‘conversion’.

The path of change under OTOP resembled an endogenous change, which is contrasted to institutional change initiated by an exogenous shock. Deeg (2005:173) defines endogenous sources of change as including “actions undertaken by actors within an institution or institutional system …[that] seek institutional changes that will either restore the old path or move to a new path”. In the case of OTOP, endogenous factors of dominant power and ideas were important in advancing the favoured outcome of the advantaged group. Primarily, the advantaged group was able to influence institutional change with the absence of other endogenous pressure. Thus, for OTOP, the research found that not only the Thai government but also the dominant business groups of target population had considerable scope to influence the space for change. They were the ‘change agents’ (Mahoney and Thelen, 2010:4) which set the course for consequential incremental changes.

In relation to ‘change agents’ (Mahoney and Thelen, 2010), it is important to note that a focus on the state provided a useful point for explaining policy change, but it did not deal adequately with the evidence that a policy change was influenced by societal interests and the contextual setting. In the case of OTOP, while one witnesses that the Thai government shaped institutional outcome, actual change was constrained by contextual factors and circumstances unique to policy initiative surrounding issue formation. The Thai state’s decision was possible due to the tangible power of the dominant group who had a positional stake of the policy. The dominant group took the same side as that of the state and demonstrated their support in as much that they convinced the state to facilitate them. The state used the samples of the dominant group to show case the success stories of OTOP and exemplify that the OTOP initiative was not a vain attempt. The samples of the dominant business group also meant that the government had produced output to their claim of the budget. In effect, the state needed the support of the dominant group. This coincides with Deeg's (2005: 172) explanation of complementary institutions, whereby "complementarity among institutions can generate high increasing returns to the extent that the effectiveness of each is enhanced by the existence and functioning of the others." Under OTOP, both the state and the dominant business groups had a chance to gain by maintaining the benefits of the OTOP policy.

Moving beyond 'change agents', shifts of the OTOP policy under 'conversion' beg an enquiry about the possible wider significance of trade and development or how a market-driven policy could be made to include more of those who needed assistance. In the case of OTOP, inclusive business bypassed the rural poor entrenched on economic margins. As found in this research, exposing small-scale producers directly to market competition exposed those producers to high volatility and risks associated with business competition. In this, the policy tool of competitive free market mechanism seemed to raise challenges for community groups with less capacity to compete. Here, market based development, in particular, did not consider the different stand points of the producers as well as their resource and production capacity. Yet, this is not to suggest that market should be distorted for it to function. Rather, sustainable development is meant to be based on the reality of the market (i.e., full internalization of social and economic costs) (Nicholls & Opal, 2005: 31). For this reason, this research embraces the argument that in a developing country context, development through trade has to work in partnership with producers so that the impact goes beyond the commercial. This is pivotal when the policy is market driven and operates within the larger free trade model of unregulated commerce.

Another finding of this research acknowledges that when activation is dominated by empowered individuals or groups, it can be misleading and displace actual individuals who need support. This was evident in the OTOP case whereby those with more resources were ready to work and help themselves, while those without the resources and the capabilities moved on and left OTOP. Here, activation by itself imposed further risks for individuals, resulting in more exclusion rather than inclusion. Moreover, activation was not an option for individuals who remained incapable of helping themselves or operating a business in the regular economy. In these circumstances, to avoid a cycle of marginalization, the government had to be consistent with its target and policy goals. For this reason, activation which functions in close relation with the qualification needs of the individual is needed to address the problems of biased result and further insecurity.

6.5 Conclusion

The OTOP case carries lessons for the understanding of the process of developmental welfare change and for the cause and the consequence of policy reform. As the research points out, OTOP's actual implication on producers varies substantially and the extent of benefit or employment creation was tentative and sporadic among different producer groups. In effect, the OTOP policy changes entail one group being better off at the expense of another group. Here, the thesis identified the tradeoffs between the benefits and the burden between producer groups. This research, however, does not aim to convince whether a particular group is able to maximize its utility function better than the other group.[121] Rather, this research retained its primary objective of presenting the consequence of policy change, which was detected from the changing interpretation of the OTOP policy that resulted in the government

[121] While the utilitarian may argue that individuals who have the ability to earn higher incomes or are more productive in translating their utilities are worth making better off, the Rawlsian is concerned with maximizing the welfare of the worst off individual (Stiglitz, 1988: 112). Despite these differing views, the implication of trade as a developmental tool brings about both positive and negative externalities.

prioritizing successful entrepreneurship and economic growth over redistributed opportunities and income for the rural and informal workers.

Fundamentally, this chapter suggested that outcomes of policy change do not constitute only successful or unsuccessful implementation, but also decisions of institutional stability and change. For instance, the government's implementation of the policy did not match the original OTOP representation as an income distribution mechanism and community empowerment initiative at the Tambon level. The interaction between stakeholders impacted the direction of institutional change, resulting in a 'conversion' of the policy and the perceived failure of liberalized trade to bring benefits to the most vulnerable rural producers in the country. As a result, what the government had implemented may not be clearly considered 'successful' or 'unsuccessful' in the eyes of the general public, but it fundamentally underlined the transformed interests of the government itself and reinforced the position of the dominant group within the target population.

Finally, the empirical study of OTOP confirms that institutional change is a function of interests. The Thai government and the dominant target group pushed their interests during moments of ambiguity or when there were gaps in policy interpretations and implementation. The government and the dominant group worked effectively within the system. They did not demonstrate any intent in discontinuing the policy. From the outside, they appear to support the OTOP policy. In this kind of setting, there was no outright opposition but only opportunities for the change agents to deploy the prevailing policy for their own purposes.

Chapter 7

Conclusion: Continuity and Change of Thailand's Developmental Welfare

Following the 1997 Asian financial crisis, there was a compelling case for East Asian policy-makers to believe in the many institutional variants of a mixed economy model rather than a universalistic 'one-size-fits-all' recipe for policy reform (Robinson et al, 1999). In contrast to having a prescribed list of how to fix the economy, the idea of growth and an integration of social protection stood as a process of self-discovery (Hausmann and Rodrik, 2003). As such, countries in the crisis learned to adopt reform plans that were consistent with country-specific conditions, in terms of both the instruments and the time of implementation. This study of Thailand's developmental welfare adds to this body of literature in exploring the national variation of social protection delivery. In addition, the case study of the One Tambon One Product (OTOP) policy offers insight into the unconventional approach for workers in the rural economy whose rights and needs had long been left out from institutional analysis and policy formulation.

The Thai government policy adaptation following the 1997 financial crisis is a clear example of change at many levels. Adjustment of basic policy goals from export-oriented growth to local economic development led to a reformulation of the nature of economic life for workers in the rural economy and the informal sector. Changes in Thailand's developmental welfare bear important reminders to two levels of analysis. The first level concerns the process of change, i.e., how the change happened. The second level is a reminder to the content of change, i.e., what were the actual transformations. In addressing both aspects of change, this thesis offers an in-depth analysis of an empirical case study. The OTOP case was selected to discern the shift in the path of Thailand's developmental welfare. Primarily, its incorporation of the local economic perspective and integration of the informal sector as the main policy recipients was premised on the more 'inclusive' developmental welfare approach. This approach was not evident in Thailand before the 1997 financial crisis.

This thesis presents a study of continuity and change of the developmental welfare of Thailand. The analysis identifies the different nature of change including 'incremental shifts', and different orders of change (Hall, 1993; Streeck and Thelen, 2005). These forms of change extend previous research and point to the value of considering an approach that combines important variables of exogenous and endogenous forces in the analysis of institutional transformation. This final chapter brings together the main findings of the thesis. It integrates the discussion of Thailand's developmental welfare and the OTOP case study in order to draw the major conclusions of the thesis. It first revisits the research questions.

7.1 Research Questions Revisited

In order to understand developmental welfare within an encompassing theorizations of institutional change, this thesis aims to provide the answer to the following research question: To what extent did the post 1997 crisis policy on social protection in Thailand represent a shift from its existing institutional[122] path of developmental welfarism? Extending from this overarching question are subsidiary questions, which guided the thesis. They include: To what extent did the OTOP policy address the social protection gaps that became apparent in the Asian financial crisis? To what extent did the OTOP policy benefit its target population?

[122] 'Institution' here follows Hall's description as "the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy" (Hall, 1986: 19).

In order to answer these questions, the research reviewed the economic and social dynamics of the developmental state in Thailand. It argues that the developmental state predominantly protected only narrow groups of people, i.e., the formal sector, while promoting inequitable growth and industrialization before the 1997 financial crisis. Next, it traced the path of developmental welfare after the financial crisis. It examined the incremental shifts that became transformative, which made the developmental state more inclusive in its approach. It then examined the policy responses of the Thai government, using OTOP as its case study. It identifies the policy direction which the government pursued to sustain the economic potential of the country as well as provide social protection for its people.

The following section is divided into three parts. The first part provides the answer to the research question by first addressing the content of change. It focuses on the transformation of social protection as found before, during, and after the 1997 financial crisis. The second part addresses the process of change – how did the change happen. Finally, the third part goes into detail about the changes which were found in the case study of OTOP.

7.2 The Main Findings

7.2.1 Developmental Welfare in Thailand

In order to address the research question set above, it was important to first establish the context of developmental welfare in Thailand before the 1997 financial crisis and where social protection fits into that context. This was the reference point against which policy reforms were analysed. Prior to the 1997 financial crisis, the Thai developmental state was characterized by export-led economic growth. Like many other Asian countries, this growth was the fundamental goal, which preceded social development (Wood and Gough, 2006: Kwon, 2005; Chang, 2003). The precedence of export-oriented economic development meant that social protection covered mainly the formal sector of civil servants and large corporations. These protections included civil servant's pension scheme, social security fund, and provident fund that were offered by major corporations (Pongsapich, 1999). Meanwhile, there was an absence of protection for the informal sector, which largely relied on the family and community network (Parnwell, 2002). The evidence in Chapter Four of this thesis shows this gap by the discrepancies of the country's income distribution and gaps within the Social Security Act. As soon as the financial crisis hit Thailand during 1997, the harsh reality of loss of income and unemployment for workers in the rural economy made the absence of social protection starker.

During the 1997 financial crisis, the influence of neoliberal doctrines became pronounced through the imposition of the IMF conditions that were part of the bail-out package for Thailand. Exchanges of the Letters of Intent (LOIs) between the Royal Thai Government and the IMF exemplified that primary concerns remained with the agenda of fixing the economy first and in integrating the domestic economy with the world economy. Mention of the need to strengthen the social safety net in the LOIs was only to assure that it aligned with the economy. For example, it is mentioned in the LOI dated August 1997 that the introduction of social safety net was not to hamper the flexibility of the labour market. Subsequent LOIs also reported reduced government expenditure and belt-tightening measures to the crisis (LOIs, November 1997). Hence, the subordination of social protection to economic development remained in the course of the IMF influence during the crisis.

It was only when unemployment increased and real wages continued to fall[123] that the need for social safety net became acute. Serious recognition regarding social impact of the crisis was evident during subsequent attempts to extend the 'social loan package' (Phongpaichit et al., 1999) for the unemployed. The 'social loan package' was divided into three main areas: namely 'employment generation', 'income generation', and 'improvement of quality of life' (World Bank, 2000; Phongpaichit et al., 1999). Nonetheless, as reported in Chapter Four, bias was found in the use of the social loan funds. For example, the employment generation scheme marginalized women and elders. This marginalization related to the nature of public work which required heavy manual force such as repairing irrigation drains. This deterred women from participating in the type of work offered under these programmes. Also, these employment generation programmes were short-lived as the Thai government did not continue them. As a result, social protection that was offered to the informal sector remained ineffective.

Fundamentally, the absence of a meaningful income security for people working in the informal sector was evident before and during the 1997 financial crisis. It was only after the financial crisis that the space for change slowly emerged in the forms of normative and institutional shifts. These shifts included a reformed content of a 'people-centred development'. The 8th and the 9th National Developmental Plans as well as the 1997 Constitution carried this content. In addition, the prevalent discourse after the crisis was 'localized developmentalism' with emphasis on the principles of 'sufficiency economy'. At the instrumental level, corresponding changes were found in the shifts towards local government and increasing decentralization. Meanwhile, the impetus for further change culminated in the strong dissatisfaction of the influential domestic capital. This urged the

[123] Details of wage decrease and unemployment increase are found in Chapter Four.

Thai Rak Thai (TRT) government to seize new grounds of introducing the *dual track policies*. They consisted of the Village and Urban Revolving Fund, the One Tambon One Product scheme, and the 30 baht health scheme (OSMEP, 2007). These new policies aimed to address the problems of capital accumulation and economic downturn within the country. At the same time, the policies were also intended to raise the level of productivity within the local economy.

Along this adjustment, the research finds that TRT's government support for social protection did not lead the state to a less competitive business conditions. Rather, the TRT government was keen to combine the market competition approach along with the need to adapt its social protection scheme. Sensitivity to the pressures of market competition suggested that the Thai government had to adjust the way it achieved economic development. When the TRT government included the goals of social protection and local economic development on top of previous goals of export led growth, this raised the legitimacy of the government. As a result, the government maintained economic competitiveness by supporting local economies. Here, social protection helped address the needs of income support and employment *despite* its attachment to economic development agenda. It is within this respect that the 'design' of the economy has an important bearing on how social protection could be integrated to the developmental model. Attention to local economic development allowed the government to focus on the 'complementarity'[124] between the goals of social protection and economic development.

[124] Please refer to Hall and Soskice (2001) for further elaboration and comparison of the term in the 'Varieties of Capitalism' (VOC) literature.

It is important to note that the TRT's approach in introducing new policies was more than just a shift in instrument and was qualitatively different from the existing paradigm of export-oriented growth. TRT's new 'social contract' extended from the former tendency to integrate with the world economy towards a focus of the domestic or local economy. In this endeavour, the TRT government implicitly applied the notion of 'glocalization' (Kurokawa et al., 2008) or the mix between 'global' and 'local', instead of straightforward 'globalization'. Glocalization was an ideational shift which supported the underlying goal of linking the benefits of globalization with local realities.[125]

Another important aspect of change following the 1997 financial crisis is that the Thai developmental context denoted a shift in welfare mixes as opportunities for self-reliance and activation increased. Policies focused on increasing workers' opportunity rather than adjusting the labour market. At the same time, increased involvement of the individuals in developmental welfare, however, was not synonymous with decreasing public responsibility. An important explanation which precludes the assumption of reduced state intervention was the integral role of political influence in the Thai developmental context. Essentially, the process of integrating social development with economic goals entailed a strategic political move. The Thai state resumed a strong role directing the developmental path, and influenced the scale and mode of provision under OTOP. In fact, the state became an important policy lever which guided subsequent changes in the policy direction when the policy goals changed from preventative income loss and unemployment to local entrepreneurship. It is in this context that the Thai state 'shifted in its purposes and mode of intervention' rather than just 'expanded or contracted' (Levy, 2006:27), as posited in other welfare regimes.

[125] Hence, local OTOP producers were encouraged to create globally accepted products that reflected their own local culture.

Finally, the Thai developmental state adjusted its developmental welfarism by encouraging its people to meet the requirements of the global economy while also increasing its protection from external risks under this agenda. The TRT government formulated policies to make the formally excluded *feel* more a part of the process of economic growth. Local producers had the chance to participate in the market. *Inclusion* was innovative in the sense that the TRT government, more than any predecessor, recognised the extent to which past growth was concentrated with the benefits unequally shared. By adopting an inclusive developmental perspective, the government sought to eliminate the bifurcation of social welfare and economic development. The informal sector was formally recognized as contributing to the competitiveness of the country's economy. The transformation exposes the challenge and the changing nature of social policies in Thailand. The next section provides the answer to how the changes took place.

7.2.2 Developmental Welfare and the Process of Change

7.2.2.1 Exogenous Shock and Endogenous Forces

This section elaborates the answer to the research question while focusing on how the changes of Thailand's developmental welfare evolved. An account of both exogenous and endogenous forces allows this research to focus on how the developmental system of Thailand adjusted in response to pressures in ways that preserve its key features. In the Thai context, both exogenous and endogenous influences were found.

Primarily, the Asian financial crisis of 1997 was an exogenous shock, which shook the institutional core. According to conventional historical institutionalism (HI), the crisis is presumed to create change and uncertainty because it created the space for institutional redesign and for new ideas to emerge or become dominant within policy discourse. According to the conventional HI view, the PE model suggests that institutions exist in an extended period of stasis, which is punctuated by sudden radical change caused by an exogenous shock (Baumgartner and Jones, 1993; Pierson 2004). In most cases, this radical change infrequently occurs and policy generally changes due to restraints found in institutional cultures, vested interests, or bounded rationality of decision-makers (Pierson, 2004).[126]

Implicitly in the conventional model, equilibriums do not shift from one to another through incremental steps or through a piecemeal process (Gersick, 1991; Thelen, 2005).[127] Rather, an exogenous shock punctuates one stable equilibrium, leading to contestation and a new institutional framework and a new equilibrium emerges (Krasner,1988; Gould & Eldridge, 1993). Importantly, the equilibrium is not thrown upside down, but a new, stable set of institutional arrangement occurs.

In the case of Thailand, the findings of the research support the argument that the financial crisis did not represent a punctuated equilibrium (PE). The various levels of incremental changes the thesis found following the 1997 financial crisis show that developmental welfare

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[126] Any change that occurs before a punctuated equilibrium would be a minor adjustment or modification to existing institutional arrangement (Pierson, 2004). The minor modification keeps the same path and the institution is substantially the same, and not completely transformed (Pierson, 2004).

[127] According to the PE model, incremental changes are not able to alter the whole system because there is a strong inertia that prevents the system from generating alternatives (Gersick, 1991). Also, any deviations that occur are usually pulled back to preserve the old equilibrium. Basically, institutions develop along path-dependent logic until new trajectory emerges known as 'critical junctures' (Collier & Collier, 1991). Critical junctures do not happen often since lock-in effects support antecedent decisions, which narrow possibilities of institutional change. Therefore, for any change to occur under the PE model, the deep structure of the old equilibrium has to be dismantled (Krasner, 1988).

provision did not follow a path-dependent reflex of the financial crisis.[128] Precisely, Thailand did not move from one stable equilibrium to another.[129] Rather, the study found that the principle and the practice of the neoliberal policy package diverged as the Thai state negotiated with the IMF. In addition, the study found in Chapter Four and Chapter Five that the incremental shifts of 'drift' and 'layering' occurred after the financial crisis. Drift consisted of the gaps that emerged due to the shifting contextual condition of the 1997 financial crisis and the government's neglect to address these gaps which included the lack of relevant social protection for the informal sector. Meanwhile, layering included introduction of dual track policies that covered additional policy goals. These incremental changes were transformative and accompanied an ideational shift, which was an expansion of economic goals from economic growth based on foreign investments and export-orientation to inclusive economic competitiveness which engaged in the local economy.

Specifically, in the case of OTOP, the policy precipitated from gaps illuminated during the crisis. In particular, the policy was a reaction to a signalling that exclusion of benefits existed among those working in the rural economy and the informal sector of the country. This

[128] Capoccia & Kelemen (2007: 342) defines critical juncture as placing institutional arrangements on path dependent trajectories which are difficult to alter. For the thesis, the 1997 financial crisis was not a critical juncture that triggered path dependent process, and which constrained subsequent choices. Firstly, the decisions that the politicians made immediately after the Thai crisis were critical, but they did not make the rest of the unfolding event stable or an equilibrium. In detail, the Thai government opted for the IMF bail out conditions. However, the situation was unstable because it exposed the economy to further unemployment and less comprehensive social protection for the people. Secondly, the key decision of the TRT government following the crisis was not a reproduction of path dependent institutional equilibrium found before the crisis.

[129] While some may question if the time reference mentioned in the thesis is too short to be justified not as an equilibrium, Capoccia & Kelemen (2007) makes a point regarding timeline that the duration of a critical juncture 'must be brief relative to the duration of the path-dependent process that it initiates' (2007: 350). Thus, for this thesis, it is not fitting to consider a decade-long period a critical juncture with respect to the outcomes following the 1997 financial crisis. Even if the juncture was that long, the probability that political decisions were constrained would be higher. Rather, the empirical evidences of the Thai case show that politicians were able to embark on a new trajectory. Furthermore, the evidences suggest that there were still unintended consequences (i.e., unmet risk protection for the informal sector) which continued to make the situation unstable.

condition is elaborated in Chapter Four. Meanwhile, the policy underlined the political nature of change as the government responded to the needs of the domestic capitalists and tried to maintain its legitimacy in guiding the process of change. Also, how the OTOP policy played out consisted of endogenous development with unexpected risks for local producers. These risks, elaborated in Chapter Five, included further income and job insecurity for those without business and entrepreneurial skill. Also, community members experienced disintegration within community when there was competition for being the selected OTOP producers. It is therefore argued in this thesis that although the 1997 financial crisis was an exogenous shock which led the IMF to come into Thailand, it did not push the country from one equilibrium to another as predicted by the punctuated equilibrium theory. In fact, the crisis set out a train of events that developed a momentum of their own, which was in line with Streeck and Thelen's (2005) thesis on incremental changes. Hence, pressure for change grew also from within the country as programmes such as OTOP underwent a process of gradual but transformative change.

7.2.2.2 The Role of Ideas and Change

This thesis captured how ideas provided sensitivity to key moments of change and to conditions of complex institutional change as that suggested by Hay (2006). Ideas were important precisely because they 'gave content to interests', [130] and made institution construction possible (Hay, 2006). The study drew attention to the role of the developmental state and business as well as the monarch in proselytising and sponsoring alternative

[130] Interests must be defined in terms of the ideas agents themselves have about the causes of the uncertainty they are facing (Blyth, 2002).

economic theories (i.e., ‘Sufficiency Economy’[131] and ‘local developmentalism’) and in setting the discursive parameters within which influential narratives were framed following the 1997 Asian financial crisis.

Furthermore, this thesis acknowledges that ‘ideas’ were socially constructed – such was the choosing of OTOP policy over a range of policy instruments. As such, institutions did not exist independently of ideas – stakeholders used ‘ideas’ to reframe their interests and propelled their agendas in the process of policy change. Under such view, ‘ideas’ matter but they were combined with ‘interests’ and ‘power calculations’ in eliciting policy outcomes. It is in this perspective of a closer synthesis centering around ideas and interests which fostered a fuller understanding of institutional changes in Thailand.

The Thai case study demonstrated that the government sought to promote the interest of people who worked in agriculture and the informal sector. However, the people who benefited from the policy were the people who were better organized and were well-resourced in that group. Meanwhile, factions within local business groups suggested that those with more resources and business experience dominated and conspired to adjustments of existing policy and practices which suited their own needs. This was evident under the Social Construction of Target Population (SCTP) (Ingram & Schneider, 1993, 2006) framework analysis in Chapter Six, which compared the benefits and the burden of the different groups of the target population. Under the SCTP construction, there was definite tension between local needs. The attempt to explain the nature of change therefore had to

[131] Sufficiency Economy was a principle supported by HM the King of Thailand, which encouraged self-reliance amidst economic growth (Krongkaew, 2003). The philosophy inspired the Thai government to think differently about the relationship between national productivity and protection against internal and external risks.

take into account the manner in which the different stakeholders influenced each other and how the country's developmental welfare was changing as local pressures interacted with existing institutional arrangements. As a result, the state and the dominant beneficiary group in the OTOP context worked effectively within the system. During the process, they did not demonstrate any intent in discontinuing the policy. However, they pushed for their interests in subtle ways across time. As a result, the OTOP goal changed towards full entrepreneurship rather than local development support.

In summary, the finding confirms the argument that 'interests' along with 'ideas' determine policy outcome. This argument is important for explaining why, within the Thai context, developmental welfare went through a different course of change which benefitted the powerful group within the population. At the structural level, the integration of social protection and economic development did not guarantee full social protection because of the shifting priority of the Thai state and the 'ambiguous compromises' (Mahoney & Thelen, 2010: 8) between the state and the influential policy beneficiary group. The process of developmental welfare thus shifted from being inclusive to selective, based on the strategies of the policy agents.

7.2.3 Case Study Explanation: The OTOP Policy

In the findings of the case study, the Thai state embodied the *productivist* form of social policy, which aimed to promote effective participation in the economy. *Productivism* connotes increased opportunities for productive employment or self-employment among low-income groups (Midgley & Tang (2001:247). The introduction of OTOP represented a case of this productivism. It is within this broader framework of productivism and its emphasis on activation that the Thai state tried to address the needs of the informal workers and those in the rural economy.

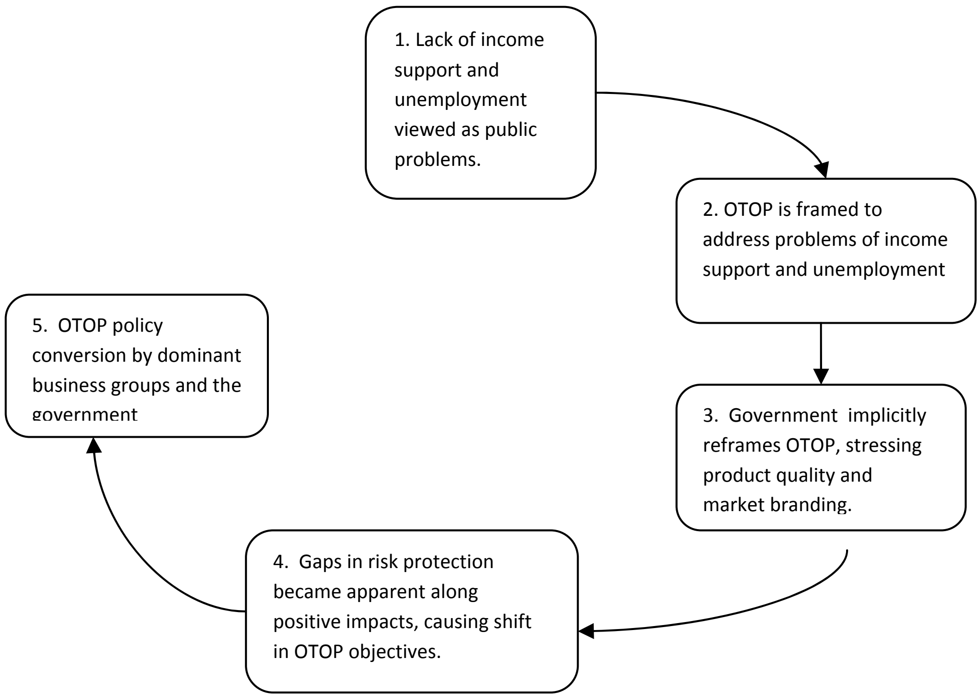
OTOP was a policy based on stimulating the domestic economy by supporting local artisan production. The initiative reflected the government's concern both that the existing social safety nets did not reach all workers and that self-employment could be the pathway for increasing income. The scheme was designed to encourage entrepreneurship among communities by providing those who wished to start small businesses with the necessary 'market channel', represented by free retail space. It mimicked the strategies of the broader micro-finance movement underlining activation. Producers had the chance to earn increasing income while working in their local context.

The study notes how activation under the OTOP scheme was a shift at both the individualized level and the structural level. At the individualized level, it was an attempt to bring about individual change through the prospect of self-reliance and entrepreneurship. At the structural level, it was an initiative that aimed to formalize part of the labour market which used to be occupied by informal activities. These activities meant that individuals used to rely primarily on the help and support of family and community. Wood and Gough (2006) describe such type of support as 'informal security regimes'. Through the schemes of OTOP, however, the government had begun to acknowledge the arrangements that foster security for those who have not before received formal protection from the state.

In shifting the balance towards supporting the people's entry into the market, it was an oversimplification, however, by the Thai government to assume that the performance of the markets would improve the lives of workers in the rural economy and the informal sector. Fundamentally, the government did not prepare the platform for activation. The structural nature of the market was left untouched. As a result, market failures prevented local producers from attaining the full benefit of their participation under OTOP. Local producers with fewer resources and less business experience could not compete with more advanced entrepreneurs. Hence, the study notes how activation effort in the developing country context did not result in better outcomes for the targeted policy beneficiaries. Instead, activation under OTOP led to competition among the beneficiary groups.

Importantly, policy recipients did not share even sentiments of self-reliance and 'less dependence' on the state under the activation framework. Meanwhile, the government did not foster this understanding in parallel to its planned programme. Market participation was not a realistic prospect for rural workers who did not have any business experience. Only those with resource and entrepreneurial skill took up responsibilities in building their business. Therefore, they were able to protect themselves against the risks of unemployment and loss income. Hence, a shift towards increasing activation did not imply a parallel shift of social rights and needs for the beneficiary group under the OTOP policy. Rather, the activation scheme counteracted the inclusionary potential, whereby producer groups with less resource and business development were not able to receive the benefit and opportunities that were offered in the wider context of OTOP. Rather, the activation scheme became a break for those who recognized and grasped business opportunities.

Figure 7.1. Changes in the OTOP Programme



Source: Analysis of interviews and documentary data.

The shift towards activation led to subsequent competition and market exclusion for some local producers. It is also the case that the OTOP policy did not cover all income risks as found in box 4 of diagram 7.1. The findings of the OTOP case study also reveal that as policy recipients experienced risks associated with market competition, selection bias and disintegration within community, the Thai government did not address these risks.[132] Instead the government went on to help the producer groups that were not as exposed to these risks and were ready to exhibit results that the government could showcase as positive policy outputs.

[132] Details of these risks are elaborated in Chapter Five.

Finally, the outcome of the OTOP case study emphasized the need to understand the way in which different groups negotiated problematic institutional landscape and how they effect changes to secure their own security. Under OTOP, the advanced business group exerted pressure and pushed for their own interests. Meanwhile, the state remained an important policy lever that guided policy direction. Both groups pursued strategies to elicit specific policy outcomes. Both aimed to achieve their own interests within the existing policy system. As the dominant business groups with more resources pushed their interests, the focus of the OTOP policy goal shifted. It shifted in the direction of 'successful entrepreneurship' instead of the original emphasis on preventative unemployment and increased income support. Furthermore, a gap emerged whereby intended beneficiaries chose not to engage with the policy because the policy did not address the problems of the target population. Hence, the changes of Thailand's developmental welfare seem to exhibit less inclusion because there were preoccupations with beneficiaries' short-term and immediate welfare functions and not the seeking of general social protection improvement in the long run.

7.3 Theoretical Contribution of the Thesis

This research has important implications for contemporary theories of developmental state and institutional changes. It furthers the understanding for 'functional equivalents' (Estevez-Abe, 2008) to orthodox social protection. It also broadens the scope of social policy studies beyond the conventional policy instruments found in the western context. The following section highlights the main contribution of this thesis.

7.3.1 Developmental Welfare

Scholars such as Gough (2004) Wood (2003) and Holliday (2005) proposed an understanding of welfare regimes in Asia as 'developmental' or 'productivist'. Based on these premises, most research on developmental welfare has established the important point that social protection is subordinated to economic development (Gough, 2004; Holliday, 2005; Deyo, 1992). Wood and Gough (2006) in particular described countries in East Asia as 'state[s] guided [by] the pursuit of economic growth as the main policy goal, with the emergence of marketized social welfare as a corollary' (2006: 1705). Gough (2004) also identified that there were limits to productivist regimes and that change was likely to take place because 'older confidence in economic growth as the social policy was eroding' (Gough, 2004: 22).

To add to that discussion, this thesis provides the empirical evidence of how social protection is achieved when it is couched under economic development. It uncovers that economic growth is intrinsic and cannot be separated from the context of developmental welfare in the Asian context. It puts into perspective that developmental welfare is not embedded in economic liberalism, i.e., developmental welfare is not rooted in the opening of the country's economy and the limiting of state intervention in the free market operations. In addition, economic development can both impede and promote social development. Economic development impedes social development when the latter is subordinated and is peripheral to economic advancement. However, the pursuit of local economic development, as depicted in the empirical case of the OTOP agenda, can conversely put emphasis on the benefits of incorporating the social perspective in the development agenda. Especially in the case of a developing country context such as Thailand, the state and policy beneficiaries have the option to achieve both communal interests along with political legitimacy, so long as social protection is an agenda that is thought about. This is especially the case when there may be 'ambiguous compromises' (Mahoney and Thelen, 2010: 8) among groups who differ on policy preferences. That is why we witness the Thai state combining social protection and economic development to increase its political legitimacy as well as the country's economic competitiveness under the OTOP policy.

In the wider context of economic and social development, Asian scholars such as Wah and Lee (2010) have also made an important distinction between the 'developmental'[133] and 'productivist' model of the Asian welfare model. Wah and Lee (2010) argue that the increasing emphasis of the 'productivist' model, i.e., work and productivity, in the East Asian context has become problematic for less competitive groups such as low-income families who can not compete as well in the labour market (2010: 19).[134] This line of argument seems to resonate also in the empirical case study of OTOP, in which the producer groups with comparatively less entrepreneurial skill found it hard to compete in the 'productivist' scheme, while those with more resources and business acumen dominated the benefits of the OTOP policy. In fact, the empirical case of OTOP demonstrated that the interest and the influence of the more competitive policy recipients led to the exclusionary effect of 'productivism'.

According to the research, the Thai government had to balance the 'distributive'[135] function of social policy along with the 'productivist' feature of raised individual output. Under this

[133] According to Wah and Lee (2010), the 'developmental' model exemplifies the possible integration between economic and social development.
[134] In addition, Wah and Lee (2010) also note that the promotion of 'capitalist productivist' orientation (Wah & Lee, 2010: 25) and hence a reduction of dependence on welfare, also intensify the stigma for welfare service recipients.
[135] The study recognizes that there are variations of interpretation in terms of the 'distribution' function, i.e., a focus on distributive income (Lindbeck, 1983) rather than distributive opportunities (Goldthorpe, 1980).

balancing act, the research adds that combining economic goals and social development requires an understanding of power and priority between policy stakeholders. The study found that hidden interests or conflict among beneficiary groups influenced the level of compliance. It led to ambiguous results and further pressures for change. For these reasons, it is important to look deeper into the approach to social policy that does not conceptually privilege only dominant actors such as the state or the market, but which also considers community members and several groupings of the policy beneficiaries.

7.3.2 Institutional Change

The analysis of this thesis was based on the combined approach of historical institutionalism and the roles of 'ideas' which underline the relevance of institutional change. It is by disaggregating the process of policy change and by invoking the concept of 'exogenous shock' (Krasner, 1988) and 'incremental shifts' (Streeck and Thelen, 2005), as well as socially constructed ideas, that this research was able to discern more variation in the dynamic of change. The thesis, however, does not claim that the integrated approach of endogenous and exogenous variables is a contribution in itself, but that the thesis identifies the way in which developmental welfare began to change in Thailand. The following section delineates two important contributions under this process of institutional change.

Further discussion of distribution is also covered in Stein Ringen's work (Ringen, 2006: 166-191). This thesis mainly refers to Goldthorpe's (1980) interpretation. The distributive function of social policy concerns equitable sharing of resources and opportunities (Goldthorpe, 1980: 252).

7.3.2.1 What Follows an Exogenous Shock?

Fundamentally, the thesis found that the case of Thailand did not conform to the conventional punctuated equilibrium (PE) model of change. Although the 1997 financial crisis had punctuated the existing institution, the radical change that took place after the exogenous shock was incremental in Thailand. The new set of institutional arrangement involved elements of 'layering' 'drift' and 'conversion' (Streek and Thelen, 2005), which were elaborated in Chapter Five.

It is important to note that in Streeck and Thelen's (2005) account, the explanation for change remained with endogenous and incremental shifts.[136] The analysis of institutional stability and change did not link exogenous shock and endogenous transformation. This thesis, however, makes an important link between what could possibly happen between Streeck and Thelen's (2005) endogenous shifts and the exogenous shocks of the PE model. It identified empirically, through Thailand's adjustment following the 1997 financial crisis and the case of OTOP, that what happened after the crisis was an institutional arrangement that was still in transition. Instead of an abrupt change and a new equilibrium, the exogenous shock prompted incremental shifts that eventually became transformative. As such, the finding of the thesis extends Streeck and Thelen's (2005) discussion in arguing that exogenous shocks could prompt gradual but transformative changes.

[136] Fundamentally, Streeck and Thelen (2005) identified that there has been a conceptual deficit in explaining institutional change when it is not affected by exogenous shocks. They therefore identified incremental shifts which are endogenous but nonetheless transformative (Streeck and Thelen, 2005).

7.3.2.2 Paradigm Recalibration: An Intermediate Order of Change?

This thesis puts into perspective the specific level of change that took place in the Thai context. In doing so, it applies Peter Hall's (1993) delineation of different order of changes, i.e., policy goals, instruments, and settings. It is here that I argue that the change that occurred in the Thai context was more than simply a new policy instrument or a 'second order' of change. According to Hall (1993), a second order change consists of changes in policy instrument without a change in the hierarchy of goals behind the policy (Hall, 1993: 282). In the Thai case, there were new instruments such as the 'dual track policies' and the use of Tambon level administration in carrying out the new policies. However, along with these new instruments, there was also a new outlook to the way the Thai government approached developmental welfare. New elements of 'sufficiency economy' and the integration with the local economy were added to the old paradigm of economic liberalism and competition.

In Hall's (1993) description of second order change, new policy instruments were often introduced primarily in response to dissatisfaction with past policy (Hall, 1993: 283). However, the new outlook in Thailand was a response not only to problems of unemployment or the absence of protection for the informal sector, but also to the consequences of the 1997 financial crisis. The new policy instrument including OTOP reflected a broader rethinking of Thailand's developmental path. It reflected the future direction that the country wanted to pursue. Therefore, it can be said that the transformation in policy was characterized as being beyond second order change.

Meanwhile, the change that took place was also not a complete third order change. Hall (1993) described third order changes as 'periodic discontinuities in policy' (Hall, 1993: 279). However, the Thai case did not discontinue national developmental policies that were in place. In fact, many of the policies, i.e., support policy for foreign capital, were kept alongside new policies such as OTOP. Furthermore, Hall (1993) describes third order change as a wholesale transformation, which includes "a radical shift in the hierarchy of goals guiding the policy, the instruments relied on to effect policy, and the settings of those instruments" (Hall, 1993: 284). When Hall (1993) mentioned a change in policy goal under the third order change, this reflected a shift in world view, i.e., how the economy was conceptualized and what was thought about state intervention. So under this description of third order change, for example, a goal could shift from tackling price stability in ensuring high employment to tackling inflation instead. Basically, this shift reflected a broader view change.

Empirically, a wholesale transformation or a complete rejection of past policy goals did not happen in Thailand. The Thai government retained the focus of economic liberalism. It did not reject the importance of opening its economy. However, it paid increasing attention to what could make that open economy more competitive. Additional emphasis was given to competition within the domestic economy. In the past, the focus was primarily on international trade and foreign direct investment.

Finally, Hall (1993) makes an important point that under the third order, the process of policy change takes place beyond the state boundary.[137] In Thailand, however, the state was the

[137] He based his observation under the shift from the Keynesian paradigm to the monetarist thinking of the British economy during the 1970s (Hall, 1993: 286-287).

main player that picked up the new economic outlook. Although there was pressure from the domestic capital group who was not benefiting from foreign direct investments, the state responded to this pressure as part of the scheme to retain political support.

Since the transformation found in Thailand was not a second or third order change, but something in between, this thesis proposes that there could be another order of change. This new order of change primarily captures a major recalibration, which precedes an overt paradigm shift.[138] It is an intermediate order of change, which is found between a policy instrument and a paradigm shift. It is an additional order of change, which if placed along with other levels would be described as follow: (1) first order changes in policy setting (2) second order changes in policy instrument (3) third order changes under a paradigm recalibration (4) fourth order changes associated with a complete paradigm shift.

The thesis labels this intermediate order of change as a 'paradigm recalibration' because it signifies a necessary adjustment to suit a different developmental condition. The recalibration represents a state's attempt in responding to its developmental needs and also in broadening the scope of current policy goals. The label is similar to Pierson's (1996) 'recalibration' however, it is used in a different context because it is not necessarily a

[138] In addition, other work by Oliver and Pemberton (2001:5-9) has also pointed out that fragmentation of authority may lead to a search for new ideas and a battle to institutionalize new policy framework. Oliver and Pemberton's (2001: 5-9) focus on the receptivity and adoption of new ideas places emphasis on the reactions and of interest groups as well as the process of policy experimentation. Oliver and Pemberton's (2001) claim about the complication of the policy process however does not refer to an additional order which lies between the two orders of change. Rather, Oliver and Pemberton's empirical case of the British economy is different from the Thai context after the 1997 financial crisis, in which the ideational framework of policy was guided by the Thai government. In the Thai setting, the government led the adoption of new ideas which came from the King of Thailand (i.e., Sufficiency Economy) and other external influence such as Japan OVOP's model on 'glocalization'. Hence, the process of 'paradigm recalibration' in Thailand did not represent an institutional battle of authority as that exemplified in Oliver and Pemberton's (2001) work.

'reform' in improving or correcting inconsistencies as Pierson's term suggests.[139] 'Paradigm recalibration', as found in this case study, is an adjustment that can either lead to positive or negative welfare outcomes. The recalibration is strategic and undertaken with specific interests.

Finally, identification of a 'paradigm recalibration' provides an important missing gap. It captures the change that is found in less elaborate or forceful policy paradigm. It is relevant to situations where the direction of policy is subject to loose or frequent variations. Also, given that Hall's model of wholesale paradigm shift is less common and relates to a limited number of situation in practice (Hall, 1993: 291), there is more possibility for a 'paradigm recalibration' to occur during the process of change. Further work could be done in this area.

7.4 Concluding Remarks

This research has dealt with issues relating to the dynamics of policy and institutional changes. In addressing some of the questions that surround the logic and contradictions of institutional change, the research has critically assessed the limits and possibilities for Thailand's developmental welfare. Essentially, policy and institutional changes continue to be an important issue facing governments of many developing countries as they seek to enhance opportunities for economic growth and social welfare. Yet, in this endeavour, it is important to retain a critical awareness of national context and variation.

[139] Paul Pierson (1996) has described 'recalibration' as reforms whereby welfare states make its goals and social provisions increasing consistent to the contemporary context (Pierson, 2001: 425).

Sensitivity to contextual ways in how states construct their welfare mixes is important. The OTOP case study highlighted how initiatives in a developing country context have moved away from just meeting the income needs of the poor, to the development of skills and the non-monetary value of a job for self esteem and social inclusion. As such, rolling out developmental programmes at scale requires that much more careful attention be given to the national context and the institutional architecture that can deliver on the more complex goals. Experiences of transition in Thailand to a more market based system under the OTOP policy show that the pursuit of decentralization and liberalisation, without complementary state action supporting market development, led to dramatic falls in opportunity and increased exclusion. That is why a discussion within this thesis concerning the adjustment in specific state intervention, and how this change reframes important conception of social provision, is of significance.

A vision of reconfigured developmental welfare requires the state to recognize not only the specific need of its people as found in its own context, but also to balance this need against unintended interests. Under this context, there is no prescription for how countries could attain the benefits of pursuing a ‘developmental’ approach to welfare. Just as some scholars (Gough, 2004: Holliday, 2005) may speculate that the puzzle of developmental context remains with the subordinate status of social policy, this thesis postulates that it would be ambitious to expect that social policy would develop into an autonomous sphere as found in Western welfare states. Rather, change is subtle and incremental. The way in which the Southeast Asia developmental state increasingly experience ideational and incremental institutional shifts already signals variation of how social policy is understood and practiced.

In sum, there is little doubt that further research and discussion are needed on the change and development of social protection in developing countries. Just as this research has shown with the empirical contexts of Thailand and OTOP, policies may become transformed as they are implemented. It is in this respect that incremental changes matter and can have profound consequences, not only for the orientation of the programme, but also for who gains from it and who does not. The analysis of institutional change and outcomes, therefore, offers an important insight into social policy development, not only in advance welfare states, but also in a Southeast Asian context.

Appendices

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APPENDIX A

Draft Letter to Respondent (Elite informants)
(Development specialists and government officials)

Dear ____________

I am a doctorate student at the University of Oxford, currently conducting a research study on the changes in social protection in Thailand. I would like to request your kind permission to conduct a one hour interview. The interview forms part of my thesis that aims to examine how and to what extent shifts in social protection have taken place. In particular, the interview will be designed to investigate events that took place after the 1997 Asian financial crisis.

I realize that you may be extremely busy with your many responsibilities but I would gladly appreciate should you have the time to take part in this research. Your views and extensive experience in the field will contribute to the much needed country-specific analysis of Thailand.

I attach herewith a consent form with further details regarding the interview. Should you have any further enquiry please do not hesitate to contact me by the following contact: prapaporn.tivayanond@socres.ox.ac.uk or at the address given above at the Department of Social Policy and Social Work at the University of Oxford. Thank you in advance for your kind consideration. I look forward to your reply.

Yours sincerely,

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Date

Draft Letter to Respondent (Producers)
(OTOP and Non-OTOP Producers)

Dear ____________

I am a PhD student at the University of Oxford, currently conducting a research study on the changes in social protection in Thailand. I would like to request your kind permission to conduct a one hour interview. The interview forms part of my thesis that aims to examine how and to what extent shifts in social protection have taken place. In particular, the interview will be designed to investigate events that took place after the 1997 Asian financial crisis.

I sincerely hope that you have the time to take part in this research. Your views and experience in the field will provide a full and genuine account for the research.

Please find attached a consent form with further details regarding the interview. Should you have any further questions, please do not hesitate to contact me by the following contact: prapaporn.tivayanond@socres.ox.ac.uk or at the address given above at the Department of Social Policy and Social Work at the University of Oxford. Thank you in advance for your consideration. I look forward to your reply.

Yours sincerely,

Prapaporn Tivayanond
DPhil Social Policy

APPENDIX B: THE INTERVIEW PROCEDURE

Information obtained from interviews for the DPhil thesis "Developmental Welfare in Thailand After the 1997 Asian Financial Crisis" was kept in accordance with the data protection act. In accordance to the principles of the act, the details of the context of this project were as follow:

- The data of this research was processed fairly according to ethical considerations of informed consent. Prior to conducting the interviews for this research, information was provided to explain the purposes of the study and explain that the results of the study would be used in a dissertation as fulfilment for a Doctoral degree. The letter to the respondent requested permission for an interview at a time and place convenient to the respondent. The letter also requested permission for recording the interview; and provided an explanation that the data was to be destroyed when the research has been written; and that amendments to the recording would be made (i.e. omission and inclusion of comments) as subject to the respondents' request. Thus, prior to any processing of data (sensitive or not), the data subject must have already given explicit consent.
- I also ensured voluntary participation from the interviewees. Prior to any interview for this research, participants were informed that participation in the study was voluntary and that failure to participate in the study or withdrawal of consent would not result in any consequence. Participants were also informed that they had the right to withdraw from the study at any time.
- This research also considered respect for privacy of the interviewees. Respect for the privacy of participants involved compliance at all costs to protect participants against unwanted interference and potential threats. This respect for privacy also included avoidance of participants' embarrassment and discomfort about the study and the questions. By first piloting the interview questions, this study aimed not to include sensitive questions that could cause participants embarrassment or discomfort. Harms that could arise in data analysis were prevented through the safeguard of anonymity and confidentiality.
- In consideration of the data's subject right and protection of the participants' privacy, participants were asked if information could be disclosed through the name of their organization. Also, any relevant information/data that may appear in the thesis was cross-checked for accuracy and privacy protection. As a result, all information made to public contained no identification of participant on the basis of response (upon requests of the interviewees).
- The use of the topic guides prompted the interviewer to remain within the focus and themes of the thesis, thus avoiding irrelevant and excessive subject matters during the interviews.
- Reporting of the data was based on the interviews truest account. I assumed the responsibility to report data and result most accurately to my perception.
- The data were stored for the duration of three years from the time of the interviews. The duration is estimated to cover the period of the writing, analysis, and revision of the thesis process.
- Data derived from field work were kept securely in a password protected computer.

APPENDIX C: TOPIC GUIDES FOR IN-DEPTH INTERVIEWS

Topic Guide for Government Officials

OBJECTIVES

- To explore the varied perceptions of Thailand's developmental welfare
- To elicit some of the factors that shaped and influenced the adoption of the OTOP policy
- To gather reflections on respondent's expectations of the OTOP policy
- To understand the benefits and burden of the OTOP policy
- To examine interpretations of the OTOP policy implementation

INTRODUCTION

- Introduce the Department of Social Policy and Social Work at the University of Oxford
- Let the respondent know the purpose of the research
- Details about confidentiality and anonymity
- Technical Details: timing and use of tape recorder

TOPIC GUIDE

- **Developmental welfare in Thailand**
    - Main features according to their perception
    - Role of Thai state and other sectors i.e. business, family, etc.
    - Does OTOP fit into Thailand's developmental welfare model?
- **Change and continuity in the developmental welfare in Thailand**
    - Respondent's view of the Asian financial crisis as change or continuity in Thailand's developmental welfare
    - Changes in institutional provision and readiness
    - Changes in ideological perspectives i.e. neoliberalism, sufficiency economy, etc.
    - Changes in institutionalism i.e. the role of IMF and World Bank before and following the crisis.
    - Why was the Washington Consensus not put forward?
- **Reasons for OTOP**
    - Why the need for OTOP?
    - What is OTOP introduced in response to?
    - Which ideas influenced OTOP?
    - Where did the idea come from?
    - What if anything, was new about OTOP?
    - Did OTOP fit with Thailand's developmental model?
- **Understanding and expectation of OTOP objectives (convergence or divergence from actual experience)**
    - Income support
    - Creation of job opportunities within local communities
    - Empowerment of local communities to become self reliant
        - Promotion of local knowledge in development process
        - Promotion of human resource development

- Promotion of a developmental paradigm most suited to local culture and livelihood

- **Problems in implementation of OTOP**
  - Coordination between government units
  - Transmission of top level ideas to local producers
  - Public unit understanding and application of entrepreneurship
  - Local producers' understanding and application in entrepreneurship
  - Market failure
  - Non-readiness of local producers
  - Small and medium enterprise role
  - The mix between developmental goals and market targets
- **Policy prospect**
  - Explore what could/should be done for people who are part of OTOP
  - Explore what could/should be done for people who are not part of OTOP
  - What needs to be learnt from the OTOP experience?

<u>CLOSURE</u>

- Thanking for time and information
- If there is anything they would like to add later, respondent should feel free to contact interviewer
- Confirming confidentiality and anonymity
- Possible contact for sharing the results with respondents
- Final thank you and exit

****

Topic Guide for Policy Advisors and Developmental Experts

<u>OBJECTIVES</u>

- To explore the varied perceptions of Thailand's developmental welfare
- To gather reflections on the respondent's view of the OTOP policy and its fit or departure to Thai developmental welfare

<u>INTRODUCTION</u>

- Introduce the Department of Social Policy and Social Work at the University of Oxford
- Let the respondent know the purpose of the research
- Details about confidentiality and anonymity
- Technical Details: timing and use of tape recorder

<u>TOPIC GUIDE</u>

- **Developmental welfare in Thailand**
  - Main features according to their perception
  - Role of Thai state and other sectors i.e. business, family, etc.
  - Does OTOP fit into Thailand's developmental welfare model?
  - What alternatives were or should have been considered?

- **Change and continuity in the developmental welfare in Thailand**
    - Respondent's view of the Asian financial crisis as change or continuity in Thailand's developmental welfare
    - Changes in institutional provision and readiness
    - Changes in ideological perspectives
    - The role of Neoliberalist ideas in Thailand
    - Political influences
- **Different developmental models in Thailand**
    - The mix of economic development and social goals
    - The mix of the developmental paradigm and the market target
    - Questionable suitability of OTOP as part of the developmental paradigm
    - Other developmental paradigm most suited to local culture and livelihood
    - What risk did OTOP addressed?
- **OTOP's performance**
    - Economic/ social/ political motivations of OTOP
    - OTOP's objectives
    - The implementation of OTOP
    - Problems associated with OTOP
    - Overall benefits of OTOP
    - Who gained and lost most from OTOP?
- **Social Provision in Thailand**
    - What were some of the problems of the Thai labour market and social protection of the country
    - Was Thailand ready for new social contracts?
    - Do you perceive increasing role of non-state sectors?
- **Policy prospect**
    - What needs to be learnt from the experience?
    - What do you see to be the future of Asian developmental welfare?

<u>CLOSURE</u>

- Thanking for time and information
- If there is anything they would like to add later, respondent should feel free to contact interviewer
- Confirming confidentiality and anonymity
- Possible contact for sharing the results with respondents
- Final thank you and exit

****

Topic Guide for OTOP producers

<u>OBJECTIVES</u>

- To explore the varied perceptions of Thailand's developmental welfare
- To gather reflections on respondent's expectations of the OTOP policy
- To understand the benefits and burden of the OTOP policy
- To examine interpretations of the OTOP policy implementation

INTRODUCTION

- Introduce the Department of Social Policy and Social Work at the University of Oxford
- Let the respondent know the purpose of the research
- Details about confidentiality and anonymity
- Technical Details: timing and use of tape recorder

TOPIC GUIDE

- **Background**
  - How long have they participated in OTOP
  - What products do they produce?
  - What is their group structure – NGO, community business group, community organization, etc.
  - Reason for joining OTOP – need of assistance, introduction by government officials, etc.
- **Understanding and expectation of OTOP objectives (convergence or divergence from actual experience)**
  - Income support
  - Creation of job opportunities within local communities
  - Empowerment of local communities to become self reliant
    - Promotion of local knowledge in development process
    - Promotion of human resource development
    - Promotion of a developmental model most suited to local culture and livelihood
- **Experience before and after joining OTOP**
  - Income
  - Employment
  - Business aspects
    - Production
    - Marketing
    - Management
    - Employees
  - How has OTOP implementation changed over the years (i.e. within the past ten years)?
- **Benefits of being part of OTOP**
  - Support from government
  - Support in business
  - Support in marketing and labelling
- **Problems in implementation of OTOP**
  - The role of the state (i.e. ministries, local administrative, etc.)
  - Coordination between government units
  - Market failure (i.e. limited promotion, replication of products, selectivity bias, etc.)
  - Readiness of local producers
  - Small and medium enterprise role
  - The mix between developmental goals and market targets
  - What were the problems in finance?
- **Policy prospect**
  - Explore what could/should be done for people who are part of OTOP
  - Explore what could/should be done for people who are not part of OTOP

- What needs to be learnt from the experience

CLOSURE

- Thanking for time and information
- If there is anything they would like to add later, respondent should feel free to contact interviewer
- Confirming confidentiality and anonymity
- Possible contact for sharing the results with respondents
- Final thank you and exit

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Topic Guide for non OTOP producers

OBJECTIVES

- To explore the varied perceptions of Thailand's developmental welfare
- To understand the benefits and burden of the OTOP policy
- To examine interpretations of the OTOP policy implementation

INTRODUCTION

- Introduce the Department of Social Policy and Social Work at the University of Oxford
- Let the respondent know the purpose of the research
- Details about confidentiality and anonymity
- Technical Details: timing and use of tape recorder

TOPIC GUIDE

- **Background**
  - How long have they conducted their business?
  - What products do they produce?
  - What is their group structure – NGO, community business group, community organization, etc.
  - Have they heard of OTOP?
  - Were they previously part of OTOP? If yes, why leave?
  - What were the reason(s) for not joining OTOP ?
- **Business experience**
  - Income
  - Employment
  - Business aspects
    - Production
    - Marketing
    - Management
    - Employees
- **Perceived benefits of being part of OTOP**
  - What benefits are they missing by not being part of OTOP
  - What do they understand to be the OTOP objectives
  - Does OTOP fit into the developmental model most suited to local culture and livelihood?

- **Disadvantage of not being part of OTOP**
  - In terms of their own livelihood
  - In terms of their own business
- **Benefits of <u>not</u> being part of OTOP**
  - Reflections associated with problems of OTOP (i.e. limited promotion, replication of products, selectivity bias, etc.)
- **Social insurance or social assistance**
  - How are they being supported by the government?
  - What kind of support do they want from the government?
  - What other policies serves as their social provision?
- **Policy prospect**
  - Explore what could/should be done for people who are not part of OTOP
  - What needs to be learnt from the experience?

<u>CLOSURE</u>

- Thanking for time and information
- If there is anything they would like to add later, respondent should feel free to contact interviewer
- Confirming confidentiality and anonymity
- Possible contact for sharing the results with respondents
- Final thank you and exit

APPENDIX D: In-Depth Interview Schedule

Listed below are the formal interviews which made up the fieldwork for the thesis. All the interviews were conducted in Thai without the assistance of interpreters. The questions asked followed the topic guideline in Appendix C. The formal interviews were recorded digitally and analysed with attention to developmental welfarism and as interpretations of the OTOP policy. These formal interviews (apart from the trial interviews) took place during the terms of Michaelmas 2009 - Trinity 2010.

In-Depth Interview Schedule				
Date	Time	Interviewee	Type of Interviewee	Position
18-Aug-09	10.00 a.m.	Bangkwan Brass Handicraft*	OTOP producer	Producer
18-Aug-09	1.00 p.m.	Department of Industrial Promotion*	Government Unit	Officer overseeing OTOP fairs
18-Aug-09	3.00 p.m.	Ban Napo Weaving Group*	OTOP producer	Producer
20-Aug-09	1.00 p.m.	Recycled Product*	Non-OTOP producer	Producer
2-Jan-10	2.00 p.m.	Thailand OTOP Network	Policy Advisor	Rural Network Leader of the Northeast
3-Jan-10	10.00 a.m.	Kokred Pottery Handicraft Group	OTOP producer	Producer
3-Jan-10	1.00 p.m.	Bankwan Brass Handicraft	OTOP producer	Producer
3-Jan-10	2.30 p.m.	Coconut and Palm Wood Natural Collection	OTOP producer	Producer
3-Jan-10	3.45 p.m.	Department of Industrial Promotion, Ministry of Industry	Government Unit	Official organizer of OTOP Fairs
3-Jan-10	4.30 p.m.	Department of Industrial Promotion, Ministry of Industry	Government Unit	Director General of the Bureau of Target Industries Development
4-Jan-10	10.00 a.m.	Women Group’s for Freshwater Grass and Reed Products	OTOP producer	Producer
4-Jan-10	11.40 p.m.	Chan Soma Group (Thai Noble Silk)	OTOP producer	Manager
4-Jan-10	1.00 p.m.	Boonmuang Cotton	OTOP producer	Weaver
4-Jan-10	2.00 p.m.	Community Development Department, Ministry of Interior	Government Unit	Director General of Community Development Department
4-Jan-10	3.30 p.m.	Community Development Department, Ministry of Interior	Government Unit	Officer of the Bureau Community Enterprise Promotion
16-Jan-10	3.00 p.m.	Ban Napo Weaving Group	OTOP producer	Weaver
17-Jan-10	1.00 p.m.	Honey Bee Farming Group	OTOP producer	Producer
19-Jan-10	9.00 a.m.	Community Enterprise on Collaborative Handicraft	OTOP producer	Producer
19-Jan-10	10.30 a.m.	Fang Sungkhalok Ceramic	OTOP producer	Producer
19-Jan-10	12.30 p.m.	Animal Horn Engraving and Carving	OTOP producer	Manager
19-Jan-10	2.10 p.m.	Mon Kra Ting Handmade	OTOP producer	Producer
19-Jan-10	10.30 a.m.	Ministry of Social Development and Human Security	Government Unit	Welfare Officer of the Department of Social Development and Welfare
19-Jan-10	2.30 p.m.	Ministry of Labour	Government Unit	Officer of the Department of Labour Protection and Welfare

8-Mar-10	3.45 p.m.	Department of Technical Economic Cooperation (DTEC)	Policy Advisor	Former Director of Technical Services Division
12-Mar-10	10.15 a.m.	Network Coordination Centre for Sufficiency Economy	Policy Advisor	Honorary Lecturer on 'Sufficiency Economy'
12-Mar-10	3.30 p.m.	Department of Political Science, Chulalongkorn University	Policy Advisor	Lecturer & former advisor to the Thai Government
18-Jun-10	4.30 p.m.	Thai Silk Product Group	OTOP producer	Producer
6-Jul-10	1.30 p.m.	Chiang Mai Doll Market Center	OTOP producer	Producer
6-Jul-10	3.30 p.m.	Padang Coconut	OTOP producer	Producer
9-Jul-10	2:00 p.m.	ThaiCraft Fair Trade Co., Ltd.	Development Specialist	Co- Managing Director
11-Jul-10	11.00 a.m.	Recycled Product	Non-OTOP producer	Producer
11-Jul-10	12.30 p.m.	Lao Song Crafts	Non-OTOP producer	Manager
11-Jul-10	1.30 p.m.	Monorom	Non-OTOP producer	Manager
11-Jul-10	3.15 p.m.	Monorom	Non-OTOP producer	Producer
11-Jul-10	2.10 p.m.	Woodwork	OTOP producer	Producer
11-Jul-10	3.20 p.m.	Artificial Flower Group Baan Huanamuang	OTOP producer	Chaiperson of group
18- Jul-10	2.00 p.m.	Thailand OTOP Network	Policy Advisor and Development Specialist	Chairman of Thailand OTOP Network
23-Aug-10	3.30 p.m.	Faculty of Science and Technology, Thammasat University	Policy Advisor	Specialist for OTOP Star System
26-Aug-10	10.00 a.m.	Rahab	Non-OTOP producers	Manager
26-Aug-10	1.30 p.m.	Recycled Product	Non-OTOP producer	Manager
28- Aug-10	2.30 p.m.	Pathumtip Visahakitchumchon (Community Enterprise)	OTOP producer	Manager and producer
28- Aug-10	4.00 p.m.	Amporn Kaewkamthong	OTOP producer	Manager
28- Aug-10	3.00 p.m.	Thailand OTOP Network	Policy Advisor	Rural Network Leader of the Central Region
5-Sept-10	9.00 a.m.	Thai Industrial Standard Institute	Government Unit	Officer of the Community Products Standards Bureau
5-Sept-10	10.30 a.m.	Anantapol Ploykan Jewelry	OTOP producer	Producer
5-Sept-10	12.30 p.m.	Manorom Products	OTOP producer	Manager
5-Sept-10	2.10 p.m.	Venerate Co., Ltd. (Ceramics)	OTOP producer	Managing Director
5-Sept-10	3.45 p.m.	Baanmoh Housewife Group	OTOP producer	Manager and producer
5-Sept-10	4.30 p.m.	National Economic and Social Development Board	Government Unit	Former Director General
7-Sept-10	9.30 a.m.	Panny Shoemaking Group	OTOP producer	Manager
8-Sept-10	10.45 a.m.	Phrae Wa Silk (Thai Dum Baan Pone Community Working Group)	OTOP producer	Manager
8-Sept-10	1.10 p.m.	Jirawan Benjarong	OTOP producer	Manager and producer
8- Sept-10	2.45 p.m.	Women Group Andaman Bangla	OTOP producer	Manager
8-Sept-10	4.30 p.m.	RomKlao Handicraft	OTOP producer	Producer
10-Sept-10	2.30 p.m.	ThaiCraft Fair Trade Co., Ltd.	Development Specialist	Producer Relations Manager

* First four interviews of the list were trial interviews.

APPENDIX E

In-Depth Interview List

1. Government Unit

1.1.Government Unit: Department of Industrial Promotion, Ministry of Industry
Interviewee(s): (1) Director General of the Bureau of Target Industries Development
(2) Officer in charge of OTOP fairs
Address: Soi Trimitr Rama 4 Rd., Klongtoey, Bangkok 10110, Thailand
Tel: +662 367 8146
Fax: + 662 381 5518

1.2 Government Unit: Community Development Department, Ministry of Interior
Interviewee(s): (1) Director General of Community Development Department
(2) Officer of the Bureau Community Enterprise Promotion
Address: The Government Complex Commemorating His Majesty the King's 80th Birthday Anniversary, Building B, 5th Floor, Chaeng Watthana Road, Thung Song Hong, Lak Si, Bangkok 10210, Thailand
Tel.: + 662 141 6018 -20
Fax.: + 662 143 8900

1.3 Government Unit: Ministry of Social Development and Human Security
Interviewee(s): (1) Officer from the Department of Social Development and Welfare
Address: 1034 Krungkasem Rd., Klongmahanak, Pomprabsattrupai, Bangkok 10100 Thailand
Tel.: + 662 659 6399
Fax.: + 662 659 6378

1.4 Government Unit: Ministry of Labour
Interviewee(s): Officer of the Department of Labour Protection and Welfare
Address: Mitramaitree Rd., Dindaeng, Bangkok 10400, Thailand
Tel.: + 662 246 6857
Fax.: + 662 246 6877

1.5 Government Unit: Thai Industrial Standard Institute (TISI)
Interviewee(s): (1) Officer of the Community Products Standards Bureau
Address: Ministry of Industry, 75/42 Rama 6 Road, Ratchathewi, Bangkok 10400, Thailand
Tel.: +662 202 3363
Fax.: +662 354 3136

1.6 Government Unit: National Economic and Social Development Board
Interviewee(s): (1) Former Director General
Address: 962 Krungkasem Rd., Klongmahanak, Pomprabsattrupai, Bangkok 10100 Thailand
Tel.: + 662 280 4085
Fax.: + 662 281 3938

2. Key Informants (Policy Advisor and Development Specialists)

2.1. Organization: Thailand OTOP Network
Interviewee(s): (1) Chairman of Thailand OTOP Network
(2) Rural Network Leader of the Northeast
(3) Rural Network Leader of the Central Region
Address: 19/4 Suwanasorn Rd., Aranyaphathet, Sakaew 27120
Tel: + 660 37 232 371
Fax: + 660 81 649 7131

2.2. Organization: ThaiCraft Fair Trade Co., Ltd.
Interviewee(s): (1) Managing Director
(2) Producer Relations Manager
Address: 242 Soi Akharn Songkroh, Akharn Songkroh Soi 15 Rd, Thung Wat Don, Sathorn, Bangkok 10120, Thailand
Tel: +662 676 0636
Fax: + 662 286 0675

2.3. Organization: Thammasat University
Interviewee(s): (1) Lecturer/ specialist for OTOP Star System
Address: Faculty of Science and Technology, Thammasat University, Rangsit Campus, Pathum Thani 12121, Thailand
Tel: +662 564 4444-59 Ext. 2455
Fax: + 662 564 4500

2.4. Organization: Chulalongkorn University
Interviewee(s): (1) Associate Professor, Department of Political Science
Address: Faculty of Political Science, Chulalongkorn University, Henri-Dunant Road, Bangkok 10330 , Thailand
Tel: +662 218 7313
Fax: + 662 252 6277

2.5. Organization: Acharn Vivat Salyakamthorn Network Coordination Centre for Sufficiency Economy (Baan Suan Por Piang)
Interviewee(s): Worker on the Royal Project, Honorary Lecturer on Sufficiency Economy, former officer of the Community Development Department
Address: 114 soi B12 Mooban Samakorn, Ramkamhaeng Road, Bangkok 10240, Thailand
Tel: + 662 537 8907
Fax: + 662 536 8919

2.6. Oranization: Department of Technical Economic Cooperation (DTEC) (Srisawang Paeywongphate
Interviewee(s): (Former) Director of Technical Services Division
Address: Thailand International Development Cooperation Agency, 962 Krung Kasem Road, Bangkok 10100, Thailand
Tel. +662 280 – 0980
Fax.

3. OTOP Producers

3.1. Name of Community Group/ Business: Kokred Pottery Handicraft Group
Interviewee(s): Producer
Address: 63 Moo 1, Koh Kred, Pakred, Nonthaburi 11120
Tel: +662 960 8589
Fax: +662 960 9762

3.2. Name of Community Group/ Business: Bangkwan Brass Handicraft
Interviewee(s): Producer
Address: 32 M.1, Bangkwan, Muang Chachoengsao 24000, Thailand
Tel: +66 7149 7145
Fax: -

3.3. Name of Community Group/ Business: Coconut and Palm Wood Natural Collection
Interviewee(s): Producer
Address: 65/12 Kubua, Rachburi 70000, Thailand
Tel: +66 32 352 681
Fax: -

3.4.Name of Community Group/ Business: Women Group's for Freshwater Grass and Reed Products
Interviewee(s): Producer
Address: 58 Moo 1, Pang, Kosumpisai, Mahasarakram 44140
Tel: +66 43 776 076
Fax: -

3.5.Name of Community Group/ Business: Chan Soma Group (Thai Noble Silk)
Interviewee(s): Manager
Address: 22 Moo 1 Thasawang Village, Thasawang, Muang district, Surin
Tel: +6689 227 8976
Fax: -

3.6.Name of Community Group/ Business: Boonmuang Cotton (3 stars)
Interviewee(s): Weaver
Address: 64/3 M. 7, Maeraeng, Pachang, Lampoon 91120
Tel: +66 53 520 917
Fax: +66 53 520 917

3.7.Name of Community Group/ Business: Ban Napo Weaving Group
Interviewee(s): Manager/ weaver
Address: 119/4 M.1, Napo, Buriram 31230, Thailand
Tel: + 66 84 900 4291
Fax: +66 44 68 6044

3.8.Name of Community Group/ Business: Honey Bee Farming Group
Interviewee(s): Producer
Address: 188 M. 10 Baanmoh, Saraburi 18130,
Tel: +66 85 181 0257
Fax: -

3.9.Name of Community Group/ Business: Community Enterprise on Collaborative Handicraft
Interviewee(s): Producer
Address: 26/1 M.8, Muanghin, Puhasiri, Nakornsawan 6130
Tel: +66 81 532 6822
Fax: -

3.10. Name of Community Group/ Business: Fang Sungkhalok Ceramic
Interviewee(s): Producer
Address: 72/1 M.5 Sikokao, Mued, Sukhothai 64210, Thailand
Tel: +66 89 567 4507
Fax: + 66 55 697 051

3.11. Name of Community Group/ Business: Animal Horn Engraving and Carving
Interviewee(s): Manager
Address: 256 M.14, Petchlakorn, Nongfai, Petchabun
Tel: +66 81 685 341
Fax: -

3.12. Name of Community Group/ Business: Mon Kra Ting Handmade
Interviewee(s): Producer
Address: 97/2 M.6 Boraew, Lampang
Tel: +66 89 758 7329
Fax: -

3.13. Name of Community Group/ Business: Thai Silk Product Group
Interviewee(s): Producer
Address: 29/1 Charoenkrung Soi 36, Bangrak, Bangkok, Thailand
Tel: +662 234 3393
Fax: + 662 630 7159

3.14. Name of Community Group/ Business: Chiang Mai Doll Making Center
Interviewee(s): Producer
Address: 187/2 M.9 Makamluang, Sinpathong, Chiangmai, Thailand
Tel: + 66 53 837 229
Fax: +66 53 837 229

3.15. Name of Community Group/ Business: Padang Coconut
Interviewee(s): Producer
Address: 100 Padang, Radao, Lampang 90240, Thailand
Tel: +66 74 585 574
Fax: +66 74 522 613

3.16. Name of Community Group/ Business: Woodwork
Interviewee(s): Producer
Address: 65 M. 12, Kubua, Rachaburi, Thailand
Tel: +66 81 452 7139
Fax: +66 2 4 111 917

3.17. Name of Community Group/ Business: Artificial Flower Group Baan Huanamuang
Interviewee(s): Chairperson of Group
Address: 1M.3 Baan Huanamuang, Konsan, Chayaphumi 36180
Tel: +66 44 876 435
Fax: -

3.18. Name of Community Group/ Business: Anantapol Ploykan Jewelry
Interviewee(s): Producer
Address: 284/31 Sangchuto Road, Baan Nua, Kanchanaburi 71000
Tel: +66 34 512 144
Fax: +66 34 512 144

3.19. Name of Community Group/ Business: Manorom Products
Interviewee(s): Manager
Address: 776 M.4 Bankuai, Muang Chainat 17000, Thailand
Tel: +66 8 6676 4600
Fax: +66 5 647 7546

3.20. Name of Community Group/ Business: Venerate Co., Ltd. (Ceramics)
Interviewee(s): Managing Director
Address: 53/31 Moo 7, Pracha-Uthit Rd., Bangkrasor Sub-District, Muang District, Nonthaburi 11000. Thailand
Tel: + 6681 815 2679
Fax: +66 2 807 0144

3.21. Name of Community Group/ Business: Baanmoh Housewife Group (Funeral Wreaths)
Interviewee(s): Manager/producer
Address: 222 Roengrang Moo 4, Baanmoh, Saraburi 18130, Thailand
Tel: + 6689 152 8167
Fax: -

3.22. Name of Community Group/ Business: Panny Shoemaking Group
Interviewee(s): Manager
Address: 27 M.10 Panna, Pannanikom, Sakon Nakorn 47130
Tel: + 66 86 928 1338
Fax: -

3.23. Name of Community Group/ Business: Phrae Wa Silk
(Thai Dum Baan Pone Community Working Group)
Interviewee(s): Manager
Address: Tambon Pone, Kammuang, Kalasin 46180
Tel: + 66 4 385 6076

3.24. Name of Community Group/ Business: Jirawan Benjarong (3 stars)
Interviewee(s): Manager
Address: 32/3 M 10 Talad Rai King, Sampran, Nakorn Pathom 73210
Tel: + 66 3 4 31 8057, 086 047 4425

3.25. Name of Community Group/ Business: Women Group Andaman Bangla(3 stars)
Interviewee(s): Manager
Address: 79/3. M 8 Paokrok, Thalang, Phuket 8310
Tel: 081 797 2783, 076 272 373

3.26. Name of Community Group/ Business: Pathumtip Visahakitchumchon (4 stars)
Interviewee(s): Manager
Address: 1/11 Moo 2. Bang kayang, Pathumthani
Tel: + 66 2 977 4243

3.27. Name of Community Group/ Business: Amporn Kaewkamthong (4 stars)
Interviewee(s): Manager
Address: 345 Moo 1 Ban Kwao, ChayaPhumi
Tel: 089 7200372

3.28. Name of Community Group/ Business: RomKlao Handicraft
(Coconut Products) (4 stars)
Interviewee(s): Producer
Address: 503 Paholyothin Taklee Nakorn Sawan 60140
Tel: 089 702 4539, 056 315463

4. Entrepreneurs / Community Groups that are not part of OTOP

4.1. Name of Community Group/ Business: Recycled Product
Interviewee(s): (1) Manager
(2) Producer
Address: 11/14 M.4 Pibulsongkram 22, Bangkaen, Nontaburi 11000
Tel: +662 526 8088
Fax: +66 89 674 1121

4.2. Name of Community Group/ Business: Lao Song Crafts
Interviewee(s): Manager
Address: 242 Soi Akharn Songkroh, Akharn Songkroh Soi 15 Rd, Thung Wat Don, Sathorn, Bangkok 10120, Thailand
Tel: + 66 89 323 7890
Fax: -

4.3. Name of Community Group/ Business: Rahab
Interviewee(s): Manager
Address: P.O. Box 57, Pattanapong 1, Silom Bangrak, Bangkok 10506,Thailand
Tel: +662 236 9280
Fax: +662 236 9270
Website: www.rahabministriesthailand.org

4.4. Name of Community Group/ Business: Manorom Handmade Jewelry (from HIV and Leprosy Patients)
Interviewee(s): (1) Manager
(2) Business Representative and producer
Address: 242 Soi Akharn Songkroh, Akharn Songkroh Soi 15 Rd, Thung Wat Don, Sathorn, Bangkok 10120, Thailand
Tel: + 662 567 8752
Fax: -

APPENDIX F: Content Analysis Classification

For the content analysis conducted in Chapter Five, the interview texts were sorted mainly into content areas, in relation to the OTOP policy: strengths of the OTOP policy, weaknesses of the OTOP policy, opportunities of OTOP, and problems of OTOP (ie. during implementation). After determining the content areas, a coding process was organized in order to ensure validity, and consistency in interpreting the data. The following table represents some of the sub-categories of the content areas: "positive effects of OTOP" and "emergent risks associated with OTOP". The whole context was condensed and labeled with codes, based on its connection to the content areas, and its link to the research's *latent content* or main theme on change and continuity of the OTOP policy.

Content Analysis Classification (OTOP producer perspective)

Theme	**Policy Transformation**			
Categories	**Perceptions**		**Impacts**	
Subcategories	**Strengths of OTOP**	**Weaknesses of OTOP**	**Positive effects**	**Emergent risks**
Codes	• Specific application of the local knowledge • Community human resources were employed, thus resolving rural unemployment and urban migration. • Availability of raw materials. • Good use of local materials. • OTOP products were good and unique, such as herbal products, which promoted health benefits . • There was customer acceptance and a customer base due to the OTOP branding.	• Lack of funding. OTOP producers needed to use their assets (such as land property) in order to borrow • Lack of advanced technology. • Lack of adequate skills and human resource for business expansion. • Lack of continuous support from government due to changes in politics. • Lack of communication skill and therefore access to the international market. For example, when the Japanese OVOP wanted to exchange and trade with the Thai OTOP, the Thai producers were not able to send or communicate with the foreign market. • Lack of quality control and process control. • Thailand's logistics system makes it necessary for products to be shipped to Singapore first, thus incurring more cost. • Thai standardization does not equate to international standardization, therefore prohibiting direct export.	• Inclusion of women group and workers from different regions. • Sense of belongingness and connectivity within community. • Increased income support, which allowed increased participation with other activities. • Increased product standardization led to better market opportunities and the chance for trade improvement. • Workers at higher level obtained managerial and marketing skill, therefore experienced increased security. • Producers focused on market opportunity for business self expansion. • OTOP provided a chance for self-reliance and activism as well as an opportunity for increased productivity.	• Social construction of target population and distorted beneficiary group resulting from changes in policy function and purposes. • Local level administration or the 'tambon' channel resulted in bias selection and disintegration within community. • Market emphasis of the policy suggested that acquired income had to go towards improving the OTOP products and less on household needs. • Product standardization created insider / outsider experience towards the market. • Labour flexibility did not result in job security especially for younger workers, and those who could not develop their business skills. • Producers were not intuitive about external threats, and depended on the well functioning market. • Only those with resource and entrepreneurial skill took up responsibility for themselves.

APPENDIX G: ADMINISTRATIVE DIVISIONS OF THAILAND

Administrative Divisions	Authorities	Note
Province	Provincial Administrative Organization (PAO)	Thailand has 77 provinces, including Bangkok. There is one PAO in every province except the Bangkok Metropolitan Administration (BMA) and the city of Pattaya. For Bangkok and Pattaya, there are special municipalities under the direct control of the Minister of Interior. A city municipality has a population of more than 50,000 citizens.
District (Amphoe)	District Municipalities (Thesaban Muang)	In 2010, there were 878 districts, with 50 districts in Bangkok. As for local authorities, there are 1,162 municipalities. A district municipality has a population of more than 10,000 citizens.
Tambon	Tambon Administrative Organization (TAO)	In 2007, there were 6,616 TAOs across the country. The population of each tambon comprises of at least 1,000 or more citizens. Each tambon covers approximately 10 or more villages. However, each village does not have official local authorities, but may send their representatives to be elected as part of the Tambon Administrative Organization.

Source: http://www.thailocaladmin.go.th/

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