

Telecommunications Reform in Thailand: State-Business Relations

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By

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Abstract

Title:

Telecommunications Reform in Thailand: State-Business Relations

By:

Kanyika Tripattana

This study is about relations between the Thai state and telecommunications business during the reform between 1980 and 2000. These relations have changed from a 'Bureaucratic Polity' model before the late 1980s to partnership during the 1990s. These changes were resulted from the internal economic and political development and the external force of globalization; both bring about the internationalisation of state, capital and labour.

Through the reform, the business sector is gaining its influence through the implementation of liberalization policy. However, this study argues that the Thai state has been able to maintain a certain degree of autonomy in relation to the business sector during the reform.

In explaining Thai state-business relations, this study applies Robert Cox's 'Mediator' State and a 'Framework for Action' and Gramsci's notion of hegemony as an analytical approach. These combined theoretical insights not only help to explain the changing relations of the Thai state and business during the reform, they also assist in addressing the relations between the Thai state and the world telecommunications order, as well as revealing conflict and co-operation among state agencies and between state-business players involved in the reform.

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Glossary

AIS	Advanced Information System
AFAS	ASEAN Framework Agreement on Services
APEC	Asia-Pacific Economic Co-operation
ASEAN	Association of South East Asia Nation
BCC	Business Co-operation Contract
BOO	Built-Own-Operation
BOT	Built-Operation-Transfer
BoT	Bank of Thailand
BT	British Telecom
BTO	Built-Transfer-Operation
CAT	Communications Authority of Thailand. A state enterprise under the Ministry of Transport and Communications and major operator of telecommunications services of Thailand. CAT provides domestic value-added services and international telecommunications.
CEM	Council of Economic Ministers
CP	Charoen Pokkapan Group of companies
CPCN	Certificate of Public Convenience and Necessity
Cross-subsidy	The use of profits derived from the sale of goods or services to finance losses made by another
CTP	Chart Thai Party
DOTC	Department of Transport and Communications
DTAC	Mobile telephone operator in Thailand
EOI	Export Oriented Industries
FCC	Federation of Communications Committee
FDI	Foreign Direct Investment
Fixed Line Operator	An operator who provides telecommunications services through fixed telephone lines rather than mobile phones.
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trades and Goods
GDP	Gross Domestic Product
GNS	Gross National Product
IBC	Independent Broadcasting Corporation
ILO	International Labour Organization

IMF	International Monetary Fund
IPI	Intellectual Property Institute
IPPS	Institution of Public Policy
ISBN	Integrated System Business Network
ISI	Import Substitution Industry
IT	Information Technology
ITU	International Telecommunications Union
JPPCC	Joint Public and Private Sector Consultative Committee
HK	Hong Kong
LC	Labour Court
LRC	Labour Relations Committee
MITI	Ministry of Information Technology and Industry, Japan
MFN	Most-Favoured-Nation
MOF	Ministry of Finance
MOTC	Ministry of Transport and Communications
NECTEC	National Electronic and Computer Technology Center
NEDP	National Economic Development Plan
NESDB	National Economic and Social Development Board
NESDP	National Economic and Social Development Plan
NICs	Newly Industrialized Countries
NIEs	Newly Industrializing Economies
NPKC	National Peace Keeping Council
NSCT	National Student Center of Thailand
NTC	National Telecommunications Committee
OEDC	Organisation of Economic Co-operation and Development
OFTEL	Office of Telecommunications, UK.
PA	Provisional Authority
PTD	Postal and Telegraph Department
SAP	Social Action Party
SC&C	Shinnawatra Computer and Communications Group of companies
Service Provider	An operator who provides services over telecommunications networks
SOE	State-Owned Enterprise

TA	TelecomAsia
TCT	Telecommunications Association of Thailand
TDRI	Thailand Development and Research Institute
Telecommunications	The technology of sending speech, sounds, images, signals and messages using electric, magnetic, electro-magnetic, electro-chemical or electro-mechanical means.
TELWG	Telecommunications Working Group
TMP	Telecommunications Master Plan
TNC	Transnational Corporation
TOR	Terms of Reference
TOT	Telephone Organization of Thailand A state enterprise under the Ministry of Transport and Communications and major operator of telecommunications services of Thailand. TOT services are domestic and cross-border telecommunications.
TRT	Thai Rak Thai Party
TT&T	Thai Telephone and Telecommunications
TTUC	Thai Trade Union Council
UNCSTD	United Nation
VSAT	Very Small Aperture Satellite
WB	World Bank
WIPO	World Intellectual Property Organization
WTAC	World Telecommunications Advisory Council
WTO	World Trade Organization

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I n t r o d u c t i o n

The State and Business Relations and the Telecommunications Reform in Thailand

1. Introduction

In all developed countries, changes in the telecommunications sector have had significant impact on a wide range of economic activities. Due to the increasing integration of the global economy linked by a worldwide telecommunications infrastructure and the simultaneous economic liberalization in both developed and developing countries, telecommunications is now a fundamental prerequisite of national projects. Kaplinsky (1987: 47) notes, during the 1980s the growth of telecommunications in developing countries outstripped that in developed countries, with the whole of Asia leading the way with an annual average increase in expenditure of US\$10 billion in 1982-87. What is phenomenal in the 1990s is the pace of acceleration: for example, China has planned to invest for postal services and telecommunications of almost US\$10 billion for 1995 alone. In the process of nation-state building going on in Asia, governments place high priority on modernization, which they closely identify with developing a national capacity in applied science and new technologies (Ministry of Science, Technology and Environment, Information Technology Policy 2000). Telecommunications feeds this development in two ways. First, a local telecommunications equipment and components industry helps reduce the need for imports, and holds out the potential to grow into an export sector. To develop a capability in this area Asian economies require technology transfer of research and development in design and manufacturing (ibid). They also need a home market to supply, which is an expanding telecommunications network. Second, network infrastructure is vital for the Information Economy.

Despite the explosive growth of telecommunications taking place throughout Asia (see Table 1.1), to date it has received little detailed analysis. This is all the more surprising as the planning and policy developments are not recent. Taking Thailand for example, the Thai state has been consciously planning for the shift towards an information technology-based economy since the early 1980s (National Economic and Social Development Plan 5).

Table 1 Growth of Telecommunications in Asia

Country	Teledensity (1992)	Mainlines millions (1992)	Teledensity (2000)	Mainlines millions (2000)
China	0.98	17.33i	11.12	108.716
Hong Kong	48.62	2.8i	57.76	3.869
Singapore	41.6	1.17i	48.45	1.877
South Korea	36.34	15.9	46.37	20.518
Indonesia	0.81	1.5	3.14	6.080
Malaysia	11.13	2.1	19.92	4.431
Philippines	1.03	0.9i	4.00	2.940
Thailand	3.10	1.9	9.23	5.216
Myanmar	0.18	0.08	0.56	0.249
Cambodia	0.06	0.005	0.24	0.028
Laos	0.15	0.007	0.75	0.034
Vietnam	0.29	0.2	3.19	2.106

Source: Ure (1995) Table 1.1 for 1992, ITU (2000) ITU Telecommunication Indicators Update for Telephone Mainlines 2000, ITU (2001) Basic Indicators for Teledensity 2000.

This study aims to provide such an analysis, with a focus on telecommunications structural and regulatory reforms. Two underlying propositions run through this study. The first acknowledges the common factor of the world market as a driver of telecommunications across the world, but argues that local conditions within each nation-state mediate the policy-making process, and attention must be given to this local context if the dynamics of Thai telecommunication reform is to be understood. The second highlights the role of local capital, arguing that it is wrong to see the Thai economy simply a large market for Western investment, and wrong to see the Thai State as simply reacting against the invasion of Western telecommunications products. Rather, the Thai State is encouraging a vigorous outward expansion of its own industries, meeting the Western multinational at the regional level. The result is a volatile mixture of alliances and rivalries, co-operation and competition among local companies expanding into one another's territories and forming equally volatile relationships with the multinationals.

This study discusses the contemporary political economy of the Thai telecommunications industry which has been experiencing dramatic changes in regulatory policies and a trend towards privatisation and liberalization since the mid-1980s. It aims to explore various aspects of state-society relations such as the issues of state autonomy, the influence of society-based groups and forces, and the interactions among the various institutions and interests involved in the telecommunications field.

particularly government-business relations. Case studies involving regulatory reforms, the liberalization of the industry, and the policy-making process are examined with a view to explaining how the politics of telecommunications reform since the 1980s has been influenced by competing interests within the telecommunications sector, changes in Thailand's broader political economy, and external forces such as globalisation.

This study argues that state-society relations in Thailand have been moving gradually in the direction of an increase in the roles and influence of societal forces. Business enterprises, in particular, have gained increasingly powerful political influence over the years, both by virtue of their greater wealth and economic significance and by improving their ties with different arms of the bureaucracy, as well as turning themselves into an arm of the state (political parties) in order to take direct control of the government and state instrumentality. The political economy of telecommunications during this period can best be characterized as consisting of shifting coalitions of interests and institutions advocating or opposition policy reforms such as deregulation, alternating over time in their ability to shape and implement government policies. The Thai state has not been a monolithic actor in all this, but has been made up of various segments whose interests and ideas have often differed. It is not useful to draw a total distinction between state and society. On the contrary, all institutions and interests, be they state or non-state, must be seen as engaged in the creation of shifting and changing coalitions on the issue of liberalization. Finally this study emphasizes the ways in which changing attitudes towards liberalization have influenced telecommunications policy and the policy positions of the actors involved.

Why the politics of telecommunications is important? The answer is in its dual position: political duality and spatial duality. The political duality of the telecommunications sector provides us with a revealing case of the changing relationships at the national level between the newly emerging business world of telecommunications and the Thai state, be they bureaucrats or governments. In addition to its dual political nature, telecommunications reflects a spatial duality because it combines many features that link the domestic economy to the regional and global economies.

1.1 Political Duality

Regarding the political duality of telecommunications politics, the case reveals a classic example of the old bureaucratic polity wherein military officers and bureaucrats dominated nearly all state enterprises. Complex organizational structures and a maze of regulations, conditioned by state monopoly and political patronage, provided bureaucrats and military officers with access to the huge financial resources generated by telecommunications businesses.

The limited privatization implemented in the latter half of the 1980s, in order to relieve Thailand's infrastructure bottlenecks, has transformed the telecommunications industry dramatically into the fast-growing economic sector. Moreover, the limited privatization produced an increase in the influence of non-state interests, particularly new business groups. These interests started from small-scale local telecommunications firms vying to subcontract government projects in the 1980s and have turned into large conglomerates spreading their businesses into Indochina, the ASEAN countries, China, and India by the 1990s.

As a consequence, the old bureaucrats can no longer manipulate the politics of telecommunications single-handedly as in the past. Other major political actors are now taking part to further their own political and economic interests. This development, however, has not been a one-way process from a Riggsian type of bureaucratic polity in the 1950s to 1960s towards a more democratic form of government. In the Riggsian bureaucratic polity, the bureaucrats and the military ruled the country with immunity from the control and direction of other social forces. Any changes in politics during this period was more of the shifting lines of personal factions rather than through such social structures as formal organizations, classes, or interest groups. Contradictory, bureaucratic agencies known to possess enormous power, such as the Army and the Ministry of Finance, have lost much of their prestige during the late 1990s, while political parties and the public have gained influences for government accountability and transparency.

1.1.1 Economic Boom

During this time, the Thai economy was also experiencing a dramatic transformation, from a slump in the mid-1980s to high GDP growth rates from 1988 onwards, before the financial crisis in 1997 bringing the economy into deep recession. The decade-long economic boom brought with it major changes in the structural basis of the Thai economy and its export patterns, as well as in Thai society more generally.

The rising demand for telephones and new forms of telecommunications services has been one very dramatic manifestation of that economic growth. Another manifestation has been the much greater degree of private capital investment in the provision of those services, which had previously been monopolized by two state agencies, the Telephone Organisation of Thailand (TOT) and the Communications Authority of Thailand (CAT).

Hence the patterns of relationships between the once dominant bureaucracy and the newly emerging private sector has been evolving in a way that throws light on broader changes in state-society relationships in Thailand during the 1980-1990s. At the same time, the ties and connections between the state agencies and the business, through for example political system, has developed significantly.

Some aspects of this trend are apparent from the examination of the political dynamics behind telecommunications policies.

Inasmuch as the relationships between the state and business have intertwined during the boom time, the economic crisis in the late 1990s that forced Thailand to undertake major economic and bureaucratic reforms conditioned by the International Monetary Fund (IMF), coupled with a series of political reforms during the 1990s, have begun to unravel relationships in such a way that the concentration of power and wealth has rapidly disintegrated.

1.2 Spatial Duality

This leads us to the second point that telecommunications industry combines many features that link the domestic economy to the regional and global economies. These attributes signify a new pattern of political economy for Thailand as well as for many other emerging economies.

First, rapid technological development in telecommunications has greatly affected the state's capacity to control the telecommunications market and business, resulting in inevitable revision of state regulatory regimes and the underlying logic behind their control.

Second, technology-led development of telecommunications business and the subsequent deregulation in other parts of the world, North America and Europe particularly, have altered most international telecommunications regimes leading to increase pressure for regulatory reforms in multilateral forum as well as in bilateral negotiations. The Uruguay Round, which included new issues like trade in services, with particular emphasis on financial, maritime and telecommunications sectors, forced Thailand to accelerate its telecommunications reform.

Third, the liberalization of telecommunications policies and Thailand's resurgent idea of itself as a major regional power have been interwoven into the state's grand scheme to turn Thailand into the financial, communications and tourist hub of the region immediately surrounding it. Whereas extensive telecommunications infrastructure was being developed in the 1990s, Thailand has actively participated in the ASEAN forum to gradually open up telecommunications.

Fourth, the economic maturity and rapid expansion of the telecommunications business throughout the region in the late 1980s has further enhanced the state's aspiration towards regional leadership.

1.3 New Scenario

Since privatisation and telecommunications reform took place in the late 1980s, political parties, businesses, the military, state enterprise unions and academics have entered the arena of telecommunications politics. Whereas state agencies including the Ministry of Transport and Communications (MOTC) and the Post and Telegraph Department (PTD) are largely responsible for policy planning and policy decision, state-owned enterprises under the MOTC such as the Telephone Organisation of Thailand (TOT) and the Communications Authority of Thailand (CAT) are directly responsible for regulation as well as licensing and operation. The progress towards telecommunications liberalization in the 1990s was a result of the growing influence of the pro-reform coalition spanning a range of actors and interests. The development in the telecommunications reform is a dynamic process marked by the shifting and changing coalitions as well as ideas.

Inasmuch as the domestic political economy has influenced Thailand's telecommunications development, the liberalization of global telecommunications has played an important role in shaping Thailand's policy direction in telecommunications. The Thai State has to adapt to the new role of dealing with domestic interests at the same time as attempting to develop an advantageous position for the state in the global economy. When events in the international political economy lead to the mobilization of domestic interests, the institutional state invariably finds its autonomy or freedom of action reduced (Strange, 1988), and options that might otherwise have been open to it in dealing with domestic and international issues become foreclosed.

As a result of the domestic and international political and economic transformation, the Thai state has recently been restructured in ways that have legitimized the neo-liberal reordering of domestic and international relations through the liberalization program. In this way, Robert W. Cox (1987) explains that the state has acted and continues to act as the complex mediator of a changing politico-economic landscape, and it is this argument that this study is based on.

2. Research Questions

There are three interrelated theoretical problems emphasis in this study: First, there is the relationship of the economic and political domains in Thai telecommunications development. Second, the relationship between the domestic and international level in those developments: how do the politics and economic structures of the domestic and international domains relate to each other? Third, the problem of the state in this context: what is it, what is its role, and how is it situated in relation to domestic and international processes?

The state in condition of globalization is at a heart of this study. The socio-economic tensions of internationalisation highlight the role of the state policy-making processes as the site of struggles for influence within society. The state emerges as the political focus for the process of adjustment and change. The politics of the state mediates between the economic and political domains among different types of actors, and between the domestic and the international, and is the key to understanding structural and institutional changes. This study addresses the Thai state on the basis of Cox's state-society complex.

2.1 The Role of the State

Much work on the role of the state in the era of globalization considers whether the state is losing its autonomy (Ohmae, 1995 and Strange, 1996). Strange (1996) has argued that the integration of technology and finance among states has reduced state power in three ways.

Firstly, there is growing asymmetry among states in the authority they exercise in society and economy. A certain uniformity in the nature and effectiveness of the control over social and economic relations within the state has increased among states. The attributes of domestic sovereignty is linked directly to the way the state regulate in relation to other states (Strange, 1996).

Secondly, the authority of the governments of all states has weakened as a result of technological and financial change, and of the accelerated integration of national economies into one single global market economy (Strange, 1996).

Thirdly, as a result, the state is losing control in areas of fundamental responsibilities. The declining authority of state is reflected in a growing diffusion of authority across other institutions and associations, and local and regional bodies (Strange, 1996).

2.2 Argument of this Study

This study drawing Robert W. Cox's focuses rather on the changing role of the state. His framework includes the notion of 'international' state that acknowledges that national states remain the only political authorities capable of taking public decisions and acting with governmental authority in world politics today. Such an acknowledgement does not ignore the fact that all states now take decisions within a context of increasingly integrated global markets. The intervention of state appears to be growing. The government passes laws, set up inspectorates and planning authorities, provide employment services and so on. There is still the need for a political authority of some kind, legitimated either by coercive force or by popular consent, or by a combination of the two. As this

study suggests, the Asian state supports Cox's position. Asian states, particularly Singapore, Japan, South Korea and Taiwan, have in fact been the means to achieve economic growth, industrialization, a modernized infrastructure and rising living standard for the people (Ravenhill, 1995 and Lee, 1997).

2.3 The Thai state

In the case of Thai state, there are reasons not to classify Thai state as capitalist state. Analyses such as Hewison argue that the Thai state is not capitalist state in a general sense because the Thai state has been dominated by the military. The military-dominant state is not subordinated to a political party that clearly represents the interests of capital and espouses the capitalist ideology (Hewison, 1989).

The studies of state in the West, which defines the state as an instrumental structure with a legitimate monopoly over coercive power within a specific territory, influences Hewison and most analyses on Thai case. This led some theorists to outline the state's role in terms of first economic-structural and second instrumental (Hewison, 1989). The following section discusses the economic-structural and instrumental role of the state in general and its relation to the developing countries such as Thailand.

2.3.1 The Economic-Structural Constraint

The economic and structural constraints and imperatives on the state apparatus operate at both national and international levels (Miliband, 1983:57-68). In the developing countries such as Thailand (see Appendix for classification), states operate within an international capitalist system of production and exchange. To a greater or lesser degree, the range of possible decisions and actions open to state officials is limited by the nature of a particular country's integration into the world system (Cox, 1987). The relationships among countries, as well as between individual countries and international agencies, are the preserve of state managers (Hewison, 1989). However, they are also of central concern to domestic and foreign capitalists, especially when lands, aid and trade are so important to the operations of capital in the Third World (Hewison, 1989).

This leads directly to national economic constraints and imperatives, as international constrictions interact with and shape national aspects of class and the exercise of state power (Cox, 1987). The capitalist state must, above all else, seek to maintain the basic conditions necessary for capitalist accumulation: that is, private property must be protected and the capital-labour relation maintained (Cox, 1987). This indicates that in general the state operates in a manner that serves to maintain the accumulation process. At the very least, states are reluctant to disrupt this process of accumulation

because it serves their interests as state officials. But at the same time, it locks them into the process (Mahon, 1980:154).

This view is what Mosco called a 'state derivationist' view (Mosco 1989: 101), which derives from the fundamentals of capitalism, particularly from the need to overcome contradictions inherent in the system. According to this perspective, the state tries to function as the 'ideal collective capitalist' (Mosco 1989: 101) serving the interests of capital in general, not just the monopoly sector. These interests include first and foremost advancing capital accumulation by providing and maintaining a productive infrastructure, creating and enforcing a legal order that makes markets and commodity exchange possible, regulating conflicts between capital and labour, and promoting the total national capital in world markets (Jessop, 1982).

As the state works to meet these goals, it faces problems that develop from a fundamental contradiction. The state is called on to perform a wide range of managerial activities but is denied entry to the productive private core to generate the necessary surplus to perform these activities. Consequently, the state's activities on behalf of capital depend on its abilities to secure revenues from the privately generated surplus. The state faces the challenge of promoting accumulation as it seeks to withdraw revenues from the accumulation process. The globalization of capital adds to pressures on the state because it is also responsible for achieving a sufficient degree of global capitalist coordination (Baker, 1978). There is conflict and competition across the state, domestic and international. They compete against each other and all competitive advantages including political power will be sought (Hewison, 1989).

In the Third World such as Thailand where the capitalist class has not fully developed and where industrialization has been recent, the state often becomes a political agent for industrialization. It provides economic infrastructure and organizes the conditions necessary for exploitation. Besides organizing the conditions of exploitation, the state attempts to maintain political control over capital by control through law and repression (Hewison, 1989:28). Political influence thus raises the question of instrumental constraints.

2.3.2 Instrumental Constraints

Instrumental constraints refer to the possibility of a particular class or class faction controlling the state. An important aspect of this relates to the class position of state managers. Miliband suggested that state managers have particular interests to promote and protect. He argued that there are two sets of impulses, which act upon state managers: self-interests and a conception of national interest. He explained that high state offices are desired because they pay well and provide status and accumulative opportunities. At the same time, those who seek state power find it easy to persuade

themselves that their achievement of it, and their continued hold on it are synonymous with the national interest (Miliband, 1983:64).

There are a number of ways in which instrumental constraints might operate, each of which is important in the Thai case. One area is family ties between capitalist families and the families of state managers sitting on the boards of various companies (Hewison, 1989:30). Another example is linked to Mosco's view on state power (Mosco 1989: 102). Drawing on the work of Gramsci, state power theorists see the state in developed capitalist societies as a vehicle for building hegemony and maintaining class power, without appearing to do so. Although force and coercion remain means of control, developed capitalist states increasingly work hegemonically, that is, by mobilizing and reproducing the active consent of non-dominant classes through moral, political and ideological means.

In this view, the state faces systematic conflicts that spring from class antagonisms woven into a labour process that maintain the division between managerial control and wage labour. The state, responsible for controlling these antagonisms before they become systematic conflicts, uses two complementary means of hegemonic control that are particularly important. Combining Poulantzas (1978) and Jessop (1982), Mosco developed the term the 'isolation-unification effects' (Mosco 1989: 102).

The isolation effect is the process whereby the state identifies the agents of production, not as members of antagonistic classes, capital and labour, but as individual legal subjects (Mosco, 1989). As a result, economic agents tend to experience capitalism, not as a system of class relations, but as relations of competition among mutually isolated individuals and/or fragmented groups of workers and capitalists.

Complementary to this is the unifying effect where the state presents itself as the strictly political public unity of the people as a nation (Mosco, 1989). As the sole representative of the nation, the state is a central source for dispute resolution, aiming to turn class, gender and national conflict into individual instances for state mediation.

To achieve these ends, the state employs a variety of tactics. From time to time, the state shifts the locus of actual power from one part of the state apparatus to another, depending on the balance of pressures on different parts of the state. In essence, the state presents itself as the sole agent for solving the problems of individual juridical citizens until such time as pressures threaten to aggregate into a major organized, or class based threat. At that point, the state can introduce direct coercion or reform itself to eliminate the major source conflict (Jessop 1982 and Poulantzan 1978).

These responses meet with mixed results. They sometimes fail because the more limited and structured sets of interests that state actors form in their particular sector of the state clash with the long-term needs of capital (Jessop, 1990). As Benda (1979) has shown, state managers do not necessarily operate out of a sense of long term systematic interests. Rather, they advance bureaucratic rationalization - a combination of self- and group interest, which does not always correspond to the systematic interest. Tactics also fail because they clash with people's lives and with the organizing efforts of non-dominant class members.

During the process of bureaucratic rationalization, there is movement always from what Poulantzas calls the 'normal' to the 'exceptional' form of the state. 'Exceptional' states eliminate democratic institutions and the autonomous organization of non-dominant classes, such as that has taken place in Chile under Pinochet (Poulantzas, 1978). Corporatism is a form of state between normal and exceptional, which is looked on favourably because it allows for formulation of policy outside the normal voting, party, or regional apparatus. It also allows for more of the necessary ad-hoc decision-making that permits incorporation of supportive groups from the non-dominant classes and the complete exclusion of any radical elements (Anek, 1989).

Moore (1998) notes that in the interventionist model 'far from being led by market forces, policy implementation is driven by the state acting in accordance with a predetermined set of objectives'. In this circumstance, the state is a key player. As such, it has many roles. It can be the provider of investment funds; it can be a producer of information products or services; it can own major assets such as the telecommunications network; it can use its functions as facilitator, contributor, consumer, regulator, arbitrator and leader to advance towards the achievement goals. Above all else, the state is seen as the leader, setting the goals and writing the policy agenda. The relationships between the state and private sector is in form of partnerships, but the state determines which functions are best left to the state and which are best delegated to the private sector.

Moore (1998) agrees with Mosco (1989) in seeing the situation as arising out of the changing structure of modern Western capitalism, in which business leaders prefer a situation of stability with minimum competition, government leaders want to stop wild fluctuations in prices and employment levels, and the labour force wants job security. Consequently, all parties will come to acquiesce in a high level of government interference in the economy (Jessop, 1990).

3 Description of the characteristics of the research

This study aims to analyze the changing relationship between the Thai state and business in the telecommunications sector in Thailand. The main unit of analysis is national. This study also

recognizes the relationship between the increase in internationalization of the state and international and regional trade and service agreements based on market-liberalizing premises. Therefore the analyses have to include global as well as domestic angles. Despite many articles about different aspects of telecommunications reform in Thailand, very few have addressed the issue of state-society relations. One such exception was Sakkarin (2000), who used the concept of corruption to explain the changing relationship between the Thai State and non-state actors in telecommunications reform. However, Sakkarin does not explicitly link the changing relation of Thai domestic telecommunications to the global sphere.

3.1 State-Society Focus

This study is based on the position that in state-society relations, the state is a political form of social power. The political power, which legitimately manages violence and coercion, is paramount to economic and ideological social power (Mann 1986). The state is an institutionalised entity of political power. To look at the state as part of society, however, does not necessarily suggest that the state is simply a reflection of society. The state can generate its own preferences, which are sometimes insulated from other social powers.

The state in this study refers to political agents/actors involved in every arena of politics and administration and formal and informal institutions operated by them. The main formal components of the state this study will cover the prime Minister and his advisors, cabinet members (politicians), bureaucrats (National Economic and social Development Board (NESDB); The Post and Telegraph Department (PTD); the Ministry of transport and Communications (MOTC); and the ministry of Finance (MOF)), the military, the state-owned enterprises (the Telephone Organisation of Thailand (TOT) and the Communications Authority of Thailand (CAT).

3.2 Hypothesis

This study addresses the following questions. How can we theoretically elucidate the uniqueness of the relationship between the Thai State and business in telecommunications sector, particularly during the reform (1980s-1990s)? Could the application of the neo-Gramscian concepts of hegemony, historical bloc, extended state and civil society as developed by writers such as Robert Cox provide a basis for an understanding of telecommunications reform of Thailand during the 1980s and 1990s?

In the study, I hypothesize the relevance of these paradigms to the Thai state and society in the development of telecommunications sector during the mid 1980s to 1990s. In order to analyse Thai state-business relations, this study examines the 'autonomy' the state exhibited while regulating the concentration of economic power of the telecommunications groups. The concept of state autonomy is used in this study because it enables direct focus on the seesaw relationship between the Thai state and telecommunications business.

The state autonomy is defined as the power to act against the social groups' interests in establishing and executing national policies for the achievement of the state's own political/economic interests. This research works on the basis that the state autonomy in relation to society is 'relative' or 'limited' rather than absolute. This, however, does not equate to a definition in a neo-Marxist manner. Neo-Marxist perspectives of state-business relations posits state as a guardian of the dominant class's interests (Miliband 1970). In such a context, the state retains a slight autonomy as capital occupies a major share of the state. There exists a division between states and because the interests of the ruling class do not necessarily coincide with the interests of the capitalist class. The state can also be an ideological machine (Poulantzas 1972). Neo-Marxist theories have something in common in the sense that they inquire into the reason why the state becomes eventually subordinate to the interest of capital.

Although the Thai State autonomy can be eroded by social influences, how is it able to keep a relatively high degree of autonomy during the reform? It is not necessarily true that the state is subject to capital, because it promotes the interest of the capitalist class. In the Thai case for example, the state promoted private participation in the telecommunications sector, but this did not lead to the submission of the state to capital; it was able to control capital by various institutional means. This study does not find that the autonomy of the Thai State is absolute. The business class exercises tremendous influence over the state sector. Nonetheless, the Thai State has kept a relatively high degree of autonomy in dealing with telecommunications capital.

3.3 Framework of the Study

This study reaches a critical understanding by drawing on Gramscian's notion of hegemony and Cox's State/society Complex.

3.3.1 Hegemony

In broad terms, hegemony involves the interpretation and organization of different class-relevant forces under the political, intellectual and moral leadership of a particular class or class faction. The key to the exercise of such leadership is the development of a specific 'hegemonic project' which can

resolve the conflicts between particular interests and the general interest (Jessop, 1990). On the surface, this conflict is probably insoluble because of the potentially infinite range of particular interests, which could be posited in opposition to any definition of the general interest. It is the task of hegemonic leadership to resolve this conflict through specific political, intellectual and moral practices. This involves the mobilization of support behind a concrete, national-popular program of action which asserts a general interest in the pursuit of objectives that explicitly or implicitly advance the long-term interests of the hegemonic social force, and which also privilege particular 'economic corporate' interests compatible with this programme (Jessop, 1990). Conversely, those particular interests who are inconsistent with the project are considered irrational and thus liable to sanction. Normally, hegemony also involves the sacrifice of certain short-term interests of the hegemonic social force and a flow of material concession for other social forces mobilized behind the project (Jessop, 1990). It is thereby conditioned and limited by the accumulation process.

In general, it would seem obvious that accumulation and hegemony will be more secure where there is congruence between particular strategies and projects. However, there are cases where an accumulation strategy is successfully pursued in the absence of hegemony or where the pursuit of a hegemonic project undermines the conditions for accumulation (Jessop, 1990).

Jessop (1990) argued that the success of hegemonic projects depends on three key factors: its structural determination, its strategic orientation and its relation to accumulation. In Robert Cox's term (1981), the hegemonic project relies on the interaction between Institutions, Ideas, and Material Capabilities.

The institution or structural determination refers to structural privileges inscribed in a given form of state, including its forms of representation, intervention and internal articulation. Apart from the aspect of structural determination, the development of a hegemonic project links the realization of certain particular interests of subordinate social forces. This area involves the creation of hegemonic ideas (strategic orientation) and adequate materials (relation to accumulation).

The hegemonic leadership has a role to first, integrate various strategically significant forces as subjects with specific interests and alternative attributions of interest. Secondly, it involves the formulation of a national-popular project whose realization will also advance the particular economic corporate interests perceived by subordinate social forces. Finally, it involves the specification of a policy paradigm within which conflicts over competing interests and demands can be negotiated without threatening the overall project (Jessop, 1990).

It is quite possible for subordinate classes to develop alternative hegemonic projects. However, they will always remain vulnerable to the dissolution of any such hegemony, as attempts to implement

such projects run up against obstacles grounded in existing economic and political forms (Jessop, 1990). It is for this reason that the ideological hegemony must be coupled in the long term with the reorganization of a new form of state that offers structural privileges to the hegemonic force in question (Cox, 1988). Thus, there may be periods of unstable hegemony, in which the hegemony between the power bloc and popular masses dissociates or the nature of the hegemonic relationship changes in favour of subordinate classes in the short term (Jessop, 1990).

Cox (1987) argues that the interaction between the three sets of social forces will produce different types and degree of global (in)stability. At particular historical conjunctures, there will be a consistency so that a hegemonic order exists. At other times, there will be a lack of congruence, so that the world order manifests a non-hegemonic condition, or crisis. Nevertheless, this does not imply that hegemony is associated with an antagonistic class discourse.

The hegemonic project, by contrast, provides a platform from which struggles for hegemony occur. Thus, it maintains the substantive unity of the state apparatus as a complex institutional ensemble. That is, a consensus hegemonic project can limit conflicts within and among the various branches of the state and provides an ideological and material base for their relative unity and cohesion in reproducing the system of political domination.

In transition, when a new ideology is introduced, how can a new form of consciousness be realised by actors of different organisations, classes, thus serving to develop a new historical bloc? To be able to explain the nature and possibility of this order, a careful analysis of power is required. In the Gramscian concept of hegemony, this power can be structural as well as behavioural. That is, Gramscian analysis emphasises the role of ideas and cultures, in that they serve to shape preferences and constrain perceptions of what is possible (Hoare, 1971).

Its emphasis on ideas and culture enables it to better explain certain aspects of inter-state relations (or groups or classes). It can help to explain why some things happen, and others do not. For example, Gill and Law (1988:79) applied a Gramscian analysis of the nature of consciousness of the British leadership to explain his irrational choice of policy in the 1950s. Gill and Law gave three main reasons for that action: the relationship between British and German leaders, British elite's perception of the world that was historically based on imperialism and the Britain-USA-Commonwealth nations market interaction.

On the social forces-action, Cox (1987) explained that this configuration of forces (ideas, institutions, material capability) does not necessarily determine actions directly. It works by imposing pressures and constraints on individuals and groups, which can be accepted (hegemony), resisted (challenge), or opposed (counterhegemony).

Helping to cement the historical bloc is a hegemonic ideology which serves as the framework of thought for this class alliance. This ideology consists of ideas which suggest that a world of capital mobility contributes to efficiency, consumer welfare and the wealth of nations. The 'ideas' as a social force in Cox's model, as well as the dialectic element in historical materialism is a way to connect theory and practice in the context of political economy of state/society relationship.

In order to critically engage with the state-business relation during telecommunication reform (1980-2000) in Thailand, one approach is to consider those individuals and institutions that underpin the interests of the 'liberalization' historical bloc in Thailand. A notion of hegemony therefore provides a set of concepts that mediate between the abstract structures of politics and economy of liberalization and concrete cases of agency. It reveals the practical content of social relations.

3.3.2 Civil Society and Historic Blocs

The notion of hegemony acknowledges that there exists subordinate groups mediating between objective class/ faction conflicts. A civil society mediates between modes of production and means of coercion. Historic blocs mediate between social being and social consciousness. Hegemony, in the modern era signifies the organization of consent for capitalist leadership, but also the possibility of constructing a counter hegemonic bloc.

Through Cox's triad relation between Institutions, Material and Ideas inspired by Gramscian's hegemonic notion, I am therefore aim to construct a framework of a 'hegemonic project of telecommunications liberalization' for investigating the internalization of the state and the consequence of changing state-business relation during the telecommunications reform (1980-2000) that is happening in Thailand. The hegemonic project framework illustrates the interaction of ideas, materialization and institutions, connecting the global and the local, through the process of internationalization and liberalization (See Figure3 in chapter one).

4 Organisation of the Study

This study uses two main methodologies: documentary and interviews analysis of policy makers and business, to investigate 'the hegemonic project' of telecommunications liberalization. Through these methodologies, the state-business relations during the telecommunications reform are examined.

4.1 Organisation of Chapters

The first two chapters examine the two major theories underpinning this study. They are Cox's state/society complex and Gramsci's notion of hegemony. The problematic posed by these theories in the context of this study is two fold. Firstly what light does each theory shed on the other when they are placed in conjunction. Secondly how can Cox's notion of state/society complex and Gramsci's notion of hegemony help us in explaining the role of the state in the development of telecommunications industry in Thailand?

The first chapter discusses Cox's State/society complex, which I discuss as providing a normative theory against which we can seek to understand the present situation, identifying the site of struggle over the changing role of the state in the globalization era. Crucially for this study we examine his contention of the internationalization of the state.

Chapter two examines Gramsci's notion of hegemony, which enables us to examine the state/society complex as a site of struggle more closely by focusing on the relations of power and consent in society. Hegemony is not seen in this study as a static dominant ideology, but as an arena in which opposition views can emerge and are incorporated.

The main thrust of chapter Two is not simply to examine the notion of hegemony in isolation. Cox's state/society is based on Gramscian's notion of hegemony, which he applied to his analysis in a certain way. This chapter considers hegemony concept in the light of Cox's work on the changing state-society relations and to consider its application to the role of the state in discussing and incorporating potentially opposition views such as those contained in the privatization and liberalization issues.

However, what is of crucial interest in this study is how those advocating and opposition views towards the telecommunications reform are presented and incorporated in the telecommunications policy. Hegemony, we characterized as the power to form an image and information to produce a map of common sense sufficiently persuasive to most people. This study shows how the Telecommunications Master Plan (TMP) (See Appendix A) was introduced, how the liberalization idea became predominant in reform issues, and how the pro-reform alliance incorporate oppositional as well as subordinate class/faction into its block.

The questions raised in chapter four and five contain the results of documentary and interview analysis. The results concern the role of the state in relations to 'internationalization' which we conceive the state as 'mediator', and which can be seen in Cox as contributing to the discussion on the state role. The fundamental issue concerning the Thai State is adaptation to the new role of

dealing with domestic interests and at the same time attempting to develop an advantageous position for the state in the global economy. In order to answer the first two questions with this fact in mind, two separate analyses have been carried out. Chapter Four thus examines the Thai State in relation to international system and Chapter Five deals with the state and domestic adjustment.

Chapter four raises two related issues. The first acknowledges the common factor of the world market as a driver of telecommunications across the world, but argues that local conditions within each nation-state mediate the policy-making process, and attention must be given to this local context if the telecommunication of Thailand is to be understood. The second examines the role of local capital, arguing that it is wrong to see the Thai economy simply as a large market for Western investment, and wrong to see the Thai State as simply reacting against the invasion of Western telecommunications products. Rather, the Thai State is encouraging a vigorous outward expansion of its own industries, meeting the Western multinational at the regional level.

After briefly reviewing the development of the Thai telecommunications industry as well as the state-business relationship prior to the telecommunications reform in chapter three, chapter five addresses two ideas. First, it considers whether the degree of state autonomy changed during the telecommunications reform since the Prem (authoritarian) regime to the present (democratic regime). Existing studies have suggested that the degree of state autonomy is high during an authoritarian regime (Riggs, 1966). The main argument is when the business (which will lead to the development of capitalism through the expansion of material production power and mass participatory democracy) is absent; it is the state itself, which assumes a leadership of economic development. As the material foundation of the business enlarges with the state-led economic growth, however, the state faces the demand for mass political participation. Conflicts between political and social powers become inevitable. Once democracy advances, the establishment of democratic political institutions tends to constrain the state's control over social groups by force, and interests groups' political participation increases. In the theoretical respect, it therefore becomes more difficult for the state to secure a high degree of autonomy vis-à-vis social actors by mobilising force. Citizens' demand for political liberty explodes, and criticism of the government increases.

The second concerns how and why the Thai State was able to maintain its degree of autonomy over capital, if any. Finding bases on Asian NICs development indicates that governments' successful market intervention with a high degree of autonomy are based on the strong economic formal institutions enforced by the government for market intervention in such areas as export initiatives, financing, trade, technology development and economic bureaucracies. The implication of these studies is that the success of the government in intervention is in its ability to mobilise others. The governments of Asian NICs contained political competition between political parties and interest representation by interest groups. Competition was also contained by centralised policy decision-

making procedure, by utilizing methods such as Incorporation (see for example, Lee (1997) for Korean case).

Those studies therefore indirectly suggest that if the market is liberalised, the degree of autonomy or the strength of the state is likely to diminish (Strange, 1996) then, what results will be produced in the Thai telecommunications case? Thai state-business relations in telecommunications sector are unique in that although the state has concentrated resources on the business sector through, for example the Build-Transfer-Operate schemes (BTOs) and has protected businesses to foster domestic telecommunications market, one cannot find sufficient evidence that the state has done so because it is subordinate to business.

Although the politic-economic influence of business has expanded markedly so that they manage a significant portion of the Thai economy, they have failed to form 'egalitarian' relations with the state. The control of the state is still strong enough to prevent them from dominating the relationship as the state retains various formal and informal institutional powers to regulate and discipline them. I intend to examine the assumption, paying more attention to the hegemonic idea factors that help maintain a degree of state autonomy.

Chapter six focuses on the increasing affect of the business group over the state. Chapter six discusses three cases from data collection. First is 'data communication projects' which will reveal the working relationships established among business, politicians and technocrats. The second case involves the three-million-line telephone project. This case gives an insight manipulation of one business group, the Charoen Pokaphan (CP) to gain telecommunications projects. The last case is the concession conversion in which conflicts were raised between the state and business group in the implementation of telecommunications policy.

5. Methodology

5.1 Period of Data collection

The whole process of data collection for this study took four months from July to October 1999 and six weeks follow-up during July and August 2000 and covers the related developments from 1980 until the end 2000. The place of data collection was Bangkok. This study is based on multiple sources of evidence including documentary material and interviews. Also, from the research strategy point of view, it is a combination of case study and historical methods where it refers to the background of the role of the state in telecommunications policy and development as well as the economic background in Thailand.

5.2 Choosing Methodology

As discussed earlier in this chapter, there are many factors that influence telecommunication policies. Of these, this study emphasizes the power of 'ideas' and how they emerged from the material interests of different constituent elements of the state-society/local-global system.

In order to locate the study in an appropriate methodological procedure, the research needs to develop its specific strategy and design. In general terms, the methods, data and strategies chosen by the researcher are determined by a number of considerations. These limitations can be the nature of the topic, the availability and accessibility of data, and the problem of resources at the researcher's disposal, such as time, assistance, funding etc. The researcher has little or no control over these constraints. However, the researcher has a control in deciding which strategies are the most appropriate to the constraints mentioned above.

Yin (1994:1) asserts 'each research strategy has particular advantages and disadvantages, depending on three conditions: (a) the type of research questions, (b) the control an investigator has over actual behavioural events and (c) the degree of focus on contemporary as opposed to historical events'. Based on such description, when a research study like the present one deals with 'how' or 'why' questions and examines contemporary events, but cannot manipulate the relevant behaviours, the research is more likely to be a qualitative case study.

However, if a 'resource map for research' (Table 2) can be adapted as suggested by Layder (1993: 72), then some quantitative data are useful. In the context of state-society relations, qualitative data include, for example the form of power relations. Does the state have limited or absolute power over society? In this case quantitative data for example the number of service providers could help the interpretation if the market is monopoly, duopoly or competitive.

The 'setting' refers to the place where the action in question takes place. In this case, it is the Thai telecommunications sector. Quantitative data such as company profit, rates of connection, or the growth of telecommunications sector can be considered. They may provide an essential check on the explanation given by qualitative methods. In 'activity' column, numbers of meetings between private companies and state enterprises may be interpreted that they have a close relation.

The 'self' column points to the need for interview methodology so attitude, opinion and view from different actors could be expressed. In this case, the majority of certain views from quantitative data could be used to set up the pattern of situation. For example, the consensus opinion that competition of telecommunications sector is needed leads to policies oriented toward liberalization.

Table 2 Resource Map for Research, adapted from Layder (1993: 72)

			Qualitative Data	Quantitative Data
H I S T O R Y	Context	State-society relations	Power relations	Numbers of private members in public organisations and vice versa
	Setting	Telecommunications industry, state	Institutional ideology Organisation culture	Profit, growth, pricing
	Situated Activity	Interaction among players	Who is doing What to Whom and How	Numbers of meetings between private companies
	Self	Individual's view and opinion	Attitude, opinion, view	Number of times particular views are repeated in the Press

5.3 Case Study Design

According to Yin (1994) there are four types of case study designs. In this study, a 'single' case study is an appropriate strategy. This is because its focus is on a single case, namely the Telecommunications Reform policy.

Following Yin (1994), the single case study is an appropriate design for several reasons. One rationale is that it can represent a critical case in testing a theory. In this way it can contribute to knowledge and theory building. Such a study can even help to re-focus further investigation in an entire field. A second rationale is that it can be used in studying extreme or unique cases. A third rationale is the revelatory case. This situation exists when an investigator has an opportunity to observe and analyze a phenomenon somewhat inaccessible to scientific investigation. These three rationales serve as the major reasons for conducting single case studies all, in one way or another, related to the present study.

Yin (1994:13) claims that the case study inquiry is a strategic one, which includes many characteristics. Among these are:

- a) It copes with the technically distinctive situation in which there will be many more variables of interest than data points.
- b) It relies on multiple sources of evidence, with data needed to cover in a triangulating fashion.
- c) It benefits from the prior development of theoretical propositions to guide data collection and analysis.

In this case, the case study as a research strategy comprises an all-encompassing method with the logic of design incorporating a specific approach of data collection leading data analysis. Layder (1993), Hammersley (1990) and Bryman (1988), for example, call this characteristic of case study a 'multi-strategy' or triangulation approach.

The triangulation approach adopted in this research helps in accomplishing as many methodological and analytical links as possible in order to achieve a dense empirical coverage and thus to establish the most relevant results in terms of emergent theoretical considerations. In other words, the selection of different strategies contribute efficiently in supplementing, in a 'disciplined flexibility' (Layder 1993), the gaps that emerge from the requisites of the linking process between quantitative and qualitative aspects of the reality under scrutiny. This approach of linking can thus attain the possibility for helping in theory testing on one hand and for theory generating on the other hand.

Layder (1993) explains that the triangulation is an open approach, in that it can take as many analytical links as possible into data at one's disposal. This does not imply that the researcher should include every method in his or her study, but rather 'the use of as many different sources and techniques of data collection as possible and appropriate for the research problem in question' (Layder 1998: 68-9). This appropriateness depends on main theoretical elements, as well as Context, Setting, Situated Activity, and Self elements illustrated in Resource Map for Research (Table 2).

Evidence for the case study may come from different sources such as documentation and archival records, interviews, direct and participant observation and physical artifacts. Murphy (1980) discusses in detail specific data collection techniques used in case studies. In this study, data was mainly generated by (a) documentation and (b) interview. Having discussed the research method, I now turn to the detailed procedures, which I carried out in documentation and interviews. These two methodologies are equally important. They are complimenting each other.

5.4 Data Collection

5.4.1 Documentation

Documents have always been important for historical analyses and thereby to telecommunications history. They are also important for policy analyses and other analyses of the more recent transformations of the media industries. In this study documentation materials were used as complementary sources along with interviews. The main reasons for using documentary sources in this study is that these sources provide the most accurate and relevant information about a wide range of telecommunications development and social transformation. Three aspects are particular important here: first, information of this sort is, as a rule, collected under natural conditions, in the sense of being part of the everyday operation of modern life. Secondly, such information is often collected repeatedly, thereby making possible the determination of trends over time. Finally, it is economic for doing research. By using documentary sources the researcher can widen the focus of research considerably, since it is save much time and cost involved in primary data collection and recording.

Like all research methodologies, however, documentary analysis has its disadvantages. There are problems of reliability and validity. Since many of the sources used in documentary analysis are gathered using other research methodologies such as survey, content analysis or experiments, it risks 're-circulating' and replicating information, which was not valid or reliable to start with. Similarly, when dealing with statistics, the researcher has no guarantee that even the 'facts' are recorded truthfully and accurately.

In the case of official documents that should be the most reliable sources, there might be similar problems. Official and institutional statistics, for example, might be highly misleading, designed to present the institutions in a favourable light. Official sources originating as part of an institutional or bureaucratic procedure such as transcripts of proceedings, annual reports and other governmental material might contain inaccurate information. Such accounts are all written in a way, which favours some interests and arguments at the expense of others, and the evidence and facts presented will have been carefully selected to suit these purposes.

However, problems of interpretation, validity and reliability are common to all research. The way this study dealing with these problems is not to argue if data are bias but how to make use of data. For example, if a Government White Paper claims that a telecommunications monopoly is the best way of achieving efficient and universal services, the interesting question is not whether or not this is true, but why the Government has chosen to use this particular argument to defend the institutional structure. Within this framework, documentary data present themselves as a source.

The second technique employed to crosschecked documentary analysis is triangulation. Triangulation is defined as a process whereby information derived using one type of methodology is verified through information derived using different methodologies (Bryman, 1988). In this account, this study used in-depth-interview. Documentary analysis and interview are used together in this study because collecting relevant materials seemed essential from the outset partly for compensating the insufficiency of interviews, and interview can be used to cross-check upon documentary analysis.

However, triangulation can also mean a process whereby different documentary sources are combined, each used to supplement and check upon the others. Documentation materials used in this study are from a primary source and a secondary source. Primary documents are governmental publications. Secondary documents in this study are from newspapers and research data related to the topic of study from various sources. Sources of primary and secondary documentation are from the National Library, Chulalongkorn University library, House of Parliament library, Matichon newspaper library, TDRI library and other research bodies. The documents are divided according to the following contents:

1. Articles on business politics
2. Elections, numbers of politicians elected and occupation
3. Government policies
4. Members of Cabinet
5. Telecommunications business groups
6. Political parties supporters
7. Politicians who own private businesses
8. Telecommunications liberalization
9. Privatization
10. Concession conversion

5.4.2 Primary Sources: Government Publications

In this study, government publications were an important source. They are articles and research published by governmental institutions including MOTC, MOF, NESDB, PTD, TOT, and CAT. In obtaining information relevant to GATS, certain websites were used. They were the World Trade Organization, International Telecommunications Union, Asia-Pacific Economic Corporation and Associations of South East Asia Nations.

5.4.3 Secondary Sources: The Press

Among the printed materials, I have mainly relied on newspaper and magazines. During the period of my research, I have placed reliance on some newspapers for the information concerning the recent telecommunications development in Thailand. The main newspapers that I selected are Bangkok Post, The Nation, Krungtep Turakit (Bangkok Business), and EconNews. The specific reason for the selection of these newspapers is that they contain separate 'IT Sections'. However, other newspapers were also collected if they contained relevant and useful information. Newspapers and magazines reflected people, government, state, and other institutions' points of view. Such materials are a rich source of information for research.

There were several reasons for the unprecedented contribution of the Press. Firstly, the Press emerged as the voice of both advocates and opponents of the reform policy. Secondly, as stated earlier, the liberalization policy was partly influenced by international forces such as the International Monetary Fund (IMF). This caused ambiguity about the benefit of the reform. The third reason related to the second point, allowing foreign companies into telecommunications industry of Thailand was a threat to local business and thus the country and therefore different perspectives were reflected in a number of newspapers and magazines. Fourthly, if the reform was limited within the country, some believed the reform was a result of the state parting with business organizations. The major issues and discourses published in the press include the effects of liberalization policy on national economy and on customer, the possibility of preventing monopoly after liberalization and the sufficiency of the new telecommunications bill.

5.4.3.1 Selecting of Press Materials

The process of finding appropriate articles in different magazines and newspapers needed to be systematically organized, especially since each of these sources had their own archival approach. There were two places I visited to collect data. The first is the National Library where all newspapers, magazines, and other printed materials were kept. Unfortunately, these documents were not kept systematically and were difficult to find. However, printed materials are kept back to their early publications covered the time period of this study. The second place I visited was Matichon newspaper library. Here major newspapers were computerized by article, therefore searching for selected subjects was not difficult. However, collected newspapers were dated back only to 1987. Combining both sources, the vast majority of telecommunications-related articles in printed materials were collected. However, due to the focus of the study, not all these materials have been used in analysis; for example, articles focusing on telecommunications equipment industry or on technical dimensions of telecommunications infrastructure were not used. Among the most relevant articles

were those, which consisted of policy issues, public opinion discussion, government and private business actions in response to the development of telecommunications domestically and internationally, codifying law and regulation and discourses about the subject.

Following is the list of press materials collected for this study.

Ban Muang [Thai daily]
Bangkok Post [Thai daily]
Daily News [Thai daily]
Dok bia [Thai daily]
EconNews [Thai Fortnightly magazine]
Economist
Khao krong [Thai daily]
Far Eastern Economic Review
Financial Times
Matichon [Thai daily]
Nation [Thai daily]
Naew na [Thai daily]
New York Times
Phu chad karn [Thai daily, 3-day]
Prachachrat thurakit [Thai daily, weekly]
Siam Post [Thai daily]
Siam Rath sapdah wijarn [Thai weekly]
Telecom Journal [Thai Fortnightly]
Telenews Asia
Thai Raj [Thai daily]
Thansethakit [Thai daily]
Transport and Communications [Thai Monthly]

5.4.4 Statistical Evidence

The use of statistical data in this research reflects a belief that ‘quantitative data can play an expanded, complementary role’ to an explanation of the emergence of theoretical ideas generated from qualitative data. Quantitative data reflect recurrent features that contribute in complementing qualitative analysis. It is evident that these statistics cannot make sense or speak for themselves apart from supplementing the qualitative interpretations elaborated on.

Apart from this issue, the other consideration I would like to point out is that some documents of statistical data used in the thesis are from private institutions. Precaution applied to the official institutions would also be drawn on the private ones. That is, data are collected for and by various reasons, predominantly the market economy considerations. They therefore cannot be treated as neutral.

The contents of the statistical documents articulated in this thesis can be specified to have dealt with the current trends in Internet growth, pricing, company's profits, profit conversion, and others that encircle conflicts of implementing Telecommunication Master Plan. The private institutions that were most helpful in providing the documents in this regard are Thailand Development Research Institute (TDRI) and Institute of Public Policy Studies (IPPS).

It should also note that some statistical data collected for this thesis are from government agencies' website. The most-accessed government agency's website is National Electronic and Computer Technology Center (NECTEC).

5.4.5 INTERVIEWING

5.4.5.1 Selecting the Interviewees

Before selecting interviewees, one must identify the related bodies of policy-making. At the time of preparation for the interviews several bodies were involved in telecommunications reform. Of those, the National Electronics and Computer Technologies (NECTEC), the Ministry of Transport and Communications (MOTC), the Postal and Telegraph Department (PTD), the Telephone Organization of Thailand (TOT), the Communications Authority of Thailand (CAT), the Ministry of Finance (MOF), the National Economic and Social Development Board (NESDB) and the Telecommunication Association of Thailand (TCT) are important.

These organizations in one-way or another, were dealing with the emergence of liberalization policy. MOTC is a communication policy-making agency, while NESDB and MOF control an overall national economic policy. PTD has a power over frequency distribution. TOT and CAT, both under an umbrella of PTD provide services and infrastructure. Finally, TCT represents business groups.

Since I had planned to use in-depth interviews, I planned to access two persons in each of the above-mentioned organizations, thus in total fourteen key persons were chosen. However, during the time of a fieldwork, there was an election. Although all interviewees are not politicians, some of them had

to work close to politicians preparing for an election. Some of these interviewees cancelled my appointment. However, all cancelled interviewees supplied me with their project reports, which I used extensively in my analysis. I managed to interview two persons from TOT, CAT, NESDB.

However, I could obtain only one person from the MOF, MOTC, PTD and TCT. Furthermore, I found out that NECTEC was not taking an active role in the Telecommunications Master Plan. NECTEC is responsible for electronic commerce and the Internet infrastructure. I also found out that one academic institution, the Thailand Development Research Institute (TDRI) played some active role in analyzing and amending policy. I thus chose two interviewees from TDRI. I also included five more persons from five telecommunications companies. Moreover, the interview with TOT had led to another interview of one academic who studies extensively on telecommunications laws and regulations and was in the Prime Minister advisory team. During my data collection, I also gained a contact with another academic who pioneered the use of Internet in Thailand. In this way, I had a list of 20 persons.

The interviews were classified into three categories in order to cover the whole spectrum of opinions and sources. They are:

- 1) Academics
- 2) Governmental agents (the main elements involved in the process of national policy-making)
- 3) Administrative personnel in the telecommunications organisations.

Table 3 shows that interviewees were from different organization and their nature of interests differ. For example, MOTC may have different opinion from UCOM because the former is policy-oriented and the latter is business-oriented. The triangulation among interviewees is useful for this study because it reflects conflicts of interests on the issue investigating.

Table 3 Lists of Interviewees

Actors	Nature of Institution	Area of Involvement
Dr. Duenden Nikomborirak TDRI	Academic	Analyse, amend policy Dr Duenden is a research director (economic governance). She was in a research group giving governments consultation on various aspects related to telecommunications industry, including concession conversion.

Sudharma Yoonaidharma Assistant Prof. At Law Faculty	Academic	Lecturer Assistant Prof. Sudharma specializes in policy analysis. He was one of the Chatichai's PM advisors.
Dr. Somkiet Tankitvanitch TDRI	Academic	Analyse, amend policy He is a research director (information economy). His research includes Telecommunications Laws, Telecommunications markets as well as the development of the Internet in Thailand.
Dr Kanchana Kanchanasut Asian Institute of Technology	Academic	She was a pioneer in setting up the Internet backbone for academic use in Thailand.
Noppanat Hutacharoen TOT	Government agency	Infrastructure provider, services operator Mr Noppanat is an Assistant Vice President at the International Telecommunications Department, the Telephone Organization of Thailand. He participated in both GATS Negotiation Committee and the privatization programme of the Telephone Organization of Thailand.
Nualnapa Tiancharoen MOTC	Government agency	Policy maker Mrs Nualnapa is a Director of Programme and Budget Division, Programme and Planning Bureau. She was dealing with implementation of telecommunications Master Plan
Dr. Pallapa Ruangrong Office of State Enterprise and Government Securities, MOF	Government agency	Budget control, economic policy maker Dr. Pallapa is in a committee responsible for evaluation and implementation of privatization plan, national telecommunications committee section plan and concession conversion plan.

Pansak Srisap TOT	Government agency	Infrastructure provider. services operator Mr Pansak is a Senior Director at the International Telecommunication Strategy and Development Sector. He participated in both GATS Negotiation Committee and the privatization programme of the Telephone Organization of Thailand.
Poomchai Angsanana NESDB	Government agency	Policy maker Mr Poomchai works for the Telecommunications Infrastructure Plan, the National Economic and Social Development Board.
Sansern Wongcha-um NESDB	Government agency	Macro policy planning Director of the National Economic and Social Development Board. He was actively in the telecommunications liberalization policy and economic liberalization.
Senior Engineer CAT	Government agency	Infrastructure provider. services operator This Senior Officer asked not to be named. He works at the Telecommunication Planning Division, the Communications Authority of Thailand. He sat in the committee evaluating the Telecommunications Master Plan 1997-2006.
Setaporn Kusripitak PTD	Government agency	Frequency distribution Mr Setaporn was a head of Telecommunications Law Making Committee, responsible for revising all telecommunications-related laws and regulations as well as drafting the new telecommunications law.
Dr Srisook Chandrangsu CAT	Government agency	Infrastructure provider. services operator Dr Srisook was a Director of the Communications Authority of Thailand.

Dr. Thaweesak Koanantakool NECTEC	Government agency	Electronic commerce and internet infrastructure development Dr. Thaweesak was a head of IT Planning committee. He was also a Deputy Director of National Electronics and Computer Technology Center.
Dr. Koson Petchsuwan TCT	Business association	Business representation Dr Koson is a Vice President of the Telecommunications Association of Thailand.
Dr. Boonkee Plangsiri Shinnawatra group	Private organization	Government business partner, service provider Dr Boonkee is a Chief Executive of Shinnawatra group.
Dr Kanokwan Vongwattanasin KSC	Private organization	Government business partner, service provider Dr Kanokwan was a Director of KSC. One of the first Internet provider in Thailand.
Dr. Sriphumi Sukhanetr UCOM	Private organization	Government business partner, service provider Dr Sriphumi is a Chairman of the United Communication Industry.
Dr. Vollobh Vimolvanich TelecomAsia	Private organization	Government business partner, service provider Dr Vollobh is a Chairman of Telecom Asia.
Vivatvong Vichit-vadakan Loxley	Private organization	Government business partner, service provider Mr Vivatvong is a Chief Executive of PointAsia.com. An E-Commerce company in Loxley Group.

5.4.5.2 Personal and In-depth Interviews

The word interviewing covers a wide range of practices. There are tightly structured, survey interviews with pre-set, standardised, normally closed questions. At the other end are open-ended, apparently unstructured interviews, as well as semi-structured interviews that combine standardised and open-ended questions. In this case, I used unstructured, open-ended interviewing. This technique provides interviewer and the respondent flexibility to expand on the topic under discussion. Before the interviews, I not only formulated appropriate questions to act as guidelines for the topic under discussion, but also undertook the responsibility of organising appropriate locations for the interviews. Since all the interviewees preferred a face-to-face interview to e-mailing or telephone interview, all interviews were carried out in Bangkok, Thailand. In-depth interviews were carried out twice during four months and one-month periods. Each interview lasted approximately two hours. Nearly all interviews took place in interviewees' offices. There was one telephone interview and one email interview.

Wimmer and Dominick (1997) identify the intensive or in-depth interview technique as giving a wealth of detail for the subject under investigation. This is because intensive interviews are usually very long and may require follow-up interviews. A longer period of time provides the interviewer lengthy observation of respondents' non-verbal responses, as well as time for the interviewer to elaborate data concerning the respondents' opinions, values, motivations, recollections, experiences, and feelings. In this situation, I found it easier to develop connection with the interviewees while on a one-to-one basis, thereby gaining information to sensitive questions that would have remained unanswered if I conducted questionnaires.

However, Wimmer and Dominick (1997) warned that intensive interviews could be influenced by the interview climate. In this situation, some of respondents, especially those from Ministry, were not keen to express their view on the subject discussed.

5.4.5.3 Conducting the interviews: Challenges

Conducting research interviews in different levels and for different purposes is a complicated process because all procedure depends on the interviewee's acceptance of being interviewed and his/her collaboration during the interview. As I stated earlier, there was to be an election during my fieldwork, which made the process much more difficult. Politicians were very busy and they refused to be interviewed. Some policy-makers, who agreed to be interviewed, were however reluctant to view their opinion. This was evident in my interview interpretation. Their answers were short, business-like and paraphrased the Telecommunications Master Plan. An example of this was 'we

have procedure to follow so we do not have any problem in making policy' or stressing that 'all opinion was considered'. Furthermore, some interviewees tried not to answer certain questions by saying that 'I have never thought this way before'. This reaction reminded me of the argument of Duverger, M (1961), about interviewing leaders and elites. He believes that in practice, this type of interview is often misleading, since the leaders do not speak frankly. This is because they think that a significant amount of what they know is state confidential. They manipulate the reality more than ordinary people as a result of sympathy to their party or political faction. Nevertheless, he emphasizes, interviewing such people is essential since the study of a party, and influence group, a decision, and institution, and so on, is only possible by conducting interviews with such leaders. However, I am in debt of all interviewees because they all allowed me to tape the interviews as well as to conduct the follow-up interview in which they reflected their point of view.

Another problem I faced was an absence of an independent body responsible for telecommunications policy-making, which made it difficult to find the right interviewees. There were many organizations and persons dealing with the same policy. This means that many organizations and people, visibly or invisibly, are actually involved in policy making and at the same time, it seemed no particular role was attributed to a single organization or person. Triangulation helps solving this problem by interviewing people from different organizations so that the result of interview can be crosschecked. However, most interviewees were kind and they introduced me to other persons involved in the matter (snowballing).

Nevertheless, the lack of participation among organizations involved did not only make my interview difficult, it also reflected a problem among the organizations. Most of interviewees stated the lack of coordination among them as one of the reasons why the policy-making and policy-implementation processes were/are delayed. The lack of co-operation among agencies could be explained in terms of a nature of bureaucracy and role of involvement (Table 3). This issue brings us back to the theoretical side of this research, which stressed the interaction of Ideas, Institutions, and Material, of economy and politics, and of state and society.

CHAPTER ONE

Internationalisation of the State and Telecommunications Reform

1 Introduction

The current internationalization of capital neither suppresses nor bypasses nation-states, either in the direction of a peaceful integration of capital 'above' the state level (since every process of internationalization is affected under the dominance of the capital of a definite country), or in the direction of their extinction by an American super-state, as if American capital purely and simply directed the other imperialist bourgeoisies. This internationalization, on the other hand, deeply affects the politics and institutional forms of these states by including them in a system of interconnections which is in no way confined to the play of external and mutual pressures between juxtaposed states and capitals. These states themselves take charge of the interest of the dominant imperialist capital in its development within the 'national' social formation, i.e., in its complex relation of internationalization to the domestic bourgeoisie that it dominates. (Poulantzas, 1974: 73)

The present liberalization of telecommunications, which began in the 1960s in the US, is now taking place on a global scale (Nicholaidis, 1995). Industrialized nations are moving away from previously held policies of centralized planning and strict state control over telecommunications (Venturelli, 1997). New international regulatory regimes, such as the World Trade Organization (WTO) also emphasize the role of free markets and competition (Flanigan, 1997 and Shankar, 1997). Although some political strength remains with forces supporting alternative public service and nationalist models, the size and scope of the present trend toward liberalization challenge these policies. In effect, liberalization has changed the economic and regulatory foundations of telecommunications and consequently, the terms and conditions under which nearly all types of telecommunications are conducted (Noam, 1987).

The purpose of this chapter is to explore theoretically the process of internationalization, its impact on Thailand and the changes, which have emerged in the telecommunication policies of Thailand. This chapter highlights the role of local capital, which is focus of this study mentioned in the Introduction chapter. It is argued that, faced with an international liberalization force, the Thai state is adapting to the new role of dealing with domestic interests at the same time attempting to develop an

advantageous position in the global economy. In particular this chapter explores Robert W. Cox's argument that the state has acted and continued to act as the complex 'mediator' of a changing politico-economic landscape.

This chapter develops these arguments in three steps. First, it examines the concepts of internationalization, globalization and regionalisation as applied to the telecommunication sector, highlighting the market dynamic in favour of increased internationalization. Second, it reviews the liberalizing aspects of the General Agreement on Trade in Services (GATS), the Asia-Pacific Corporation (APEC) and the Asean Framework Agreement on Services (AFAS). Third, it examines the impacts of these agreements on state autonomy. In doing so, this study adopts Cox's 'Triad of Action' -Ideas, Materials, and Institutions - as a tool to explain the different aspects of structural change in the telecommunications industry. The ideological aspect focuses on hegemony of neo-liberal philosophy -liberalization- as the expression of a particular interest related to transnational capital. The material aspect reveals production changing from national to transnational orientation. Finally, there is the institutional aspect of global governance associated with altered forms of state and world order.

1.1 Internationalization, Globalization, and Regionalization

To assess the character of recent political, economic and structural changes in telecommunication, it is useful to discuss processes of internationalization and globalization. Internationalization refers to the growth of cross border trade and investment relations between national economies leading to the increased integration of more and more nations and economic actors into world market relationships (Hirst and Graham, 1995:8). In this process, national economies remain the principal organizing entities, with multinational firms engaging in foreign direct investment through branches and subsidiaries. Globalization, in contrast, refers to the development of economic relationships that extend across dispersed locations; hence, capital can move anywhere in the world virtually instantaneously. Distinct national economies become subsumed and 'articulated' into a global economy by these transnational processes and transactions (ibid: 10).

The distinction between crossing and transcending borders may also be applied in a regional context (Hirst and Graham, 1995). Market regionalization refers to a process where national economies continue to be the primary actors in the regional system, but the growth of cross-border trade and investment integrates those economies into a single regional market (ibid.). However, regionalization can be transcendent, denoting a process where national economies dissolve into a regional economy.

with corporations and networks of firms organizing production region-wide, taking no account of national borders (ibid.).

Mosco sums up the relationship of these three processes in the concept of spatialization.

Globalization refers to the spatial agglomeration of capital, led by transnational business and state that transforms the spaces through which resources and commodities flow (Mosco, 1996:205).

Spatialization involves the logic of production in the global economy and a logic of power concentrating some measure of control over economic decisions in those people who directly or indirectly, hold substantial sway over the political decision-making of national, regions, and localities (Mosco, 1996:200). The state activities that emanate from spatialization are commercialization, liberalization, privatization or internationalization. Internationalization process includes regional trade alliances, or regionalization (Mosco, 1996:202-3).

In relation to communications and telecommunications industries, Dyson and Hirst (1990) argued that deregulation, globalization, synergy and convergence resulted from the internationalization process reflect the concerns of both business corporations and governments. The formers seek to position themselves strategically in the markets and the latter are attempting to secure future national wealth by attracting investment. These industries thus become politically and economically significant to governments in terms that governments are under pressure to cede their traditional regulatory controls in this domain in order to maximise wealth on which future national power is to depend.

The concept of telecommunications as 'public goods' that require stringent controls is giving way to a market model of provision. In the process 'inherited ideas about the proper relationship between government and industry are being challenged' (Dyson and Hirst, 1990:1). States are being increasingly drawn into competition for world market shares as a means to both wealth and power. In devising new industrial policies for the telecommunications sector, governments have proved notably sensitive to the arguments and behaviour of dynamic players. Accordingly, new concepts have come to govern policy formation, and external forces have become internalised within national policy processes (Dyson and Hirst, 1990:1). This argument support Cox's notion that the internationalization of capital, state, and production do not reduce the role of the state. Instead, the state performs crucial roles by providing social forces the rights of property and contracts; by dismantling obstructions to markets, as well as by ensuring economic certainty. Hence, the state is acting as a 'mediator' between the international and domestic settings.

1.2 Telecommunications Liberalization in Regional and International Trade and Service Agreements

The emergence of information economies and transnational communications networks has changed the traditional relation of production. In the past the location of a worker producing or providing a service was important, but this has become less important if a company and its customers are connected through a communications network. As a result, there has been a huge growth in the internationalization of service industries since the 1980s. Many traded services such as advertising, accounting, insurance, banking and finance have become transnationally feasible and highly profitable (Cowhey and Aronson, 1993). For example, the WTO (1998) reported that the world exports of commercial services increased from US\$ billion 5328 in 1987 to US\$ billion 13115 in 1997 (Table 1.1).

Table 1.1 Exports of Commercial services at current price, 1987-97

	1987	1989	1991	1993	1995	1997
World	5328	6640	8330	9445	11911	13115
North America	995	1353	1714	1868	2230	2592
Latin America	204	257	306	357	447	513
Western Europe	2881	3363	4287	4620	5691	5981
European Unions (15)	2554	2972	3840	4134	5091	5312
Africa	134	149	192	219	249	277
Asia	842	1186	1453	1880	2610	2978
Thailand	29	53	71	108	146	158

Unit: US\$billion

Source: World Trade Organization Annual Report 1998, International Trade Statistics

However, even though a services firm may not need to set up a foreign subsidiary or operation, it will still need to reach its customers in a foreign country. This can be done via telecommunications networks. For example there was an increase in telephone calls from Thailand to Japan, from 15.3 percent of total calls made in Thailand in 1985 to 17.4 percent in 1992 (Ure, 1995). In 2001, the world revenues from telecommunication services were worth 920 US\$ billion and telecommunications equipment was 290 US\$ billion, making a total telecommunications market revenue of 1,210 US\$ billion or about 130 per cent of those in 1991 (Table 1.2). This has proved problematic in negotiating trade-in-services agreements for telecommunications, for not only is telecommunications a service sector in its own right, it is also a mode of delivery for all services. This is why the telecommunications sector has figured so prominently in both regional and global economic arrangements, such as the General Agreement on Trade and Goods (GATT) negotiations. The

General Agreement on Trade in Services (GATS) rules (see Appendix F) that extends to all forms of international trade in services means that the GATS agreement represents a major new factor for a larger sector of world trade activity. It also means that because such a large share of trade in services takes place ‘inside’ national economies, its requirements influence national domestic laws and regulations.

Table 1.2 World Telecommunications Market Revenue (Current prices and exchange rates)

	Services	Equipment	Total
1991	403	120	522
1992	448	132	580
1993	470	135	606
1994	517	158	675
1995	596	183	778
1996	672	213	885
1997	712	234	946
1998	767	248	1015
1999	843	269	1112
2000	920	290	1210

Unit: US\$ Billions

Source: International Telecommunication Union, 2001

1.3 The World Trade Organization (WTO) Agreement

Through the WTO Agreement, seventy countries agreed to open basic telecommunications markets in 1997. Those seventy countries’ telecommunications markets accounted for 94 per cent of the world telecommunications market or about \$600 billion in overall annual revenue. Asian nations, in particular, seemed to display a new willingness to accede to the liberalization program (Bangkok Post, 1999). Business users gained assurances of a harmonized multilateral operating framework affording predictable market access to equipment and services – binding agreements that WTO member countries were legally obligated to apply. The New York Times cited ‘The agreement, for the first time, empowers the WTO to go inside the borders of the seventy countries that signed it to review how quickly and effectively they are deregulating a key part of their economies. ... And if the WTO finds evidence of foot-dragging it can, in theory at least, authorize penalties’ (New York Times, 17 February 1997:1).

The WTO Agreement, which came into force early in 1998 - carried drastic implications for systems of national telecommunications provision, particularly throughout the developing world. Schiller (1999), for example, explains that the transnational orientation of national telecommunications systems was strengthened in the post-WTO liberalized environment. Strong pressure was exerted on system operators 'to police and protect the newly established market freedoms.' The 'market discipline' comprised a form of preference that discriminated systematically in favour of the rate policies and service offerings demanded by transnational business users. In Israel and the Philippines where protected national carriers had earlier subsidized local service through high-priced international service, now rate rebalancing came into vogue (Shiller, 1999).

Rate rebalancing aims at decreasing prices for international calls. An example of rate rebalancing strategy is 'callback' services that provide overseas customers with a dial tone from the United States, thereby bypassing other nations' higher-priced international carrier (Shiller, 1999). In effect, the international charges dropped, for example by 40 per cent during 1997 in France (Financial Times, 18 September 1997:18). The result of rate-rebalancing policy was extreme, especially in developing countries. In Indonesia, for example, the consequence of rebalancing was that a group of perhaps 300,000 overseas callers was privileged over a general population of 190 million most of whom still lacked basic telephone service (Schiller, 1999).

1.4 The Asia-Pacific Economic Co-operation (APEC) and the ASEAN Framework Agreement on Services (AFAS)

There has also been a tendency for countries to cooperate on telecommunications liberalization in the Asia region. For example, ASEAN (Association of South East Asian Nations) embraced integration into the Global Information Infrastructure as early as 1995 under the auspices of the APEC forum and the Seoul Declaration on the Asia-Pacific Information Infrastructure. The Seoul Declaration aimed to facilitate the expansion of an interconnected and inter-operable information infrastructure in the region (APEC, 1996). The Bogor Declaration in APEC encouraged the implementation of the WTO liberalization in trade and services policies. It also aimed to speed up liberalization among its members by setting the target of 2010 for developed countries and 2020 for developing countries (APEC, 1999). The ASEAN countries through the ASEAN Framework Agreement on Services (AFAS) also implemented GATS rules and principles. ASEAN used GATS rules and principles as a benchmark for liberalization of the services industry among ASEAN nations.

2. Regulation reform requirements

In general, governments participate in markets as a consumer, supplier and regulator. As a regulator, governments can effectively control markets as strictly as they desire. Control mechanisms the governments use are, for example a price structure, quantity of a product, or entry and exit of the market. Normally, foreign firms have a natural disadvantage because domestic firms are much more familiar with their domestic regulators and the domestic regulatory process.

The step towards liberalization of trade in services of the telecommunications industry means a significant reduction in border measures, and consequently activity that can hamper foreign firms competing with domestic firms inside national borders. Regulatory reform is therefore a pre-requisite for, for instance Thailand in joining the international telecommunications system. In the Thai telecommunications equipment industry, for example, Sumeth (1992:16) concluded, 'the main reason for (foreign companies especially from Japan and Taiwan) relocating to Thailand in the first place was to take advantage of the country's low labour costs, promotional incentives, General Services Provider (GSP) privileges, and to side-step looming trade friction. At the same time, cumbersome procedures and the complicated records required to keep exports separate from local sales for import tariff and tax settlement proposes, greatly discourage these manufacturers from selling part of their quota on the local market'. Thus,

The need for greater coordination of microeconomic policies has become most visible in a trade context because globalization has transformed domestic laws and regulations into potential trade barriers. Modern companies need to integrate production processes and support services located in many countries into a unified production system, and require some uniformity in technologies, standards, business relationships, and support systems, all of which can be affected by government regulations and sectorial policies. Internationalization of production subjects production decisions to influence by domestic regulatory policy. Accordingly, convergence of domestic policies is therefore required on the grounds of practicality, economic efficiency and competitive fairness (Watson, Flynn and Conwell, 1999:260).

The vehicle for building the legal architecture for the integrated market is the harmonization of law around the world by way of developing legal standards (Pistor, 2000:1). Pistor (2000) argues that the integration of countries' markets into a global one normally will coincide efforts to adopt key aspects of the international legal standards relating to trade. For example, the current trend towards globalization of markets reinforced the idea of defining a common core of legal standards. The most

recent example for legal harmonization of telecommunications trade regulations is the GATS, which established trade-in-service rules for telecommunication businesses engaging in domestic and cross-border activities. The attempt for market integration of telecommunications industry, in particular to attract the massive flow of international capital to emerging markets such as those of Thailand, has exposed the legal and institutional environment of these countries to pressure they were often not able to withstand. Nevertheless, a common feature of international legal bodies is their non-binding nature (Pistor, 2000:3). Agreements generally take the form of recommendations directed at the members of their organizations.

2.1 Demands for state functions

An increase in the competition and requirements of worldwide production and distribution has meant that the nature of the state intervention has changed considerably. However, the role of the state has by necessity been diminished (Panitch, 1997:85). Far from witnessing a bypassing of the state by a global capitalism, we see very active states and highly politicized sets of capitalist classes working to secure what Gill called a 'new constitutionalism for disciplinary neo-liberalism' (Gill, 1992). In the past decade in the areas of media industry, we have witnessed, at the world and regional levels, states as the authors of a regime that defines and guarantees, through international agreements with constitutional effect, the global and domestic rights of capital.

Winseck (1998) argued that the divergent approaches to competition and the existence of strategic rivalry suggests that the role of the state in telecommunications policy has been changed, not abandoned. Far from passively withdrawing from telecommunications markets, government actors are among the most forceful advocates of regulatory liberalization and privatization (Winseck, 1998). In fact, as Pettrazinni (1993:66) indicates, the more far-reaching the changes to the telecom policy regime sought, the more determined the exercise of state power must be.

Winseck (1998:149) used the Canadian telecommunications industry to support his argument. He demonstrated that the transformations of telecom industry in Canada from an early stage (1878-1920) through unregulated monopoly to regulated monopoly 'had little to do with technological change, and everything to do with the dynamic interplay of legal, economic, political and governmental forces'.

Dyson and Humphreys's (1988) *Broadcasting and New Media Regulatory Change in Western Europe* reaches the same conclusion.

the new media are drawing Western European governments into the practice of statecraft in broadcasting regulation. In the increasingly interdependent world of the 1980s, when new media are complicating broadcasting policy and forging new cross-national patterns of activity, policy makers are learning about the capability and limitations of different techniques of regulation for the pursuit of national wealth and power. They are seeking for ways in which to influence other states as well as non-state actors. ...The newly emerging global markets in communications require 'responses at the level of statecraft'.

The industry needs proper political and legal institutions that are guaranteed by the state. It is only state actions that secure rights of property, freedom of exchange, the sanctity of contract, and the prohibition of practices that interfere with the free market (Horwitz 1991: 58). State interventions are necessary to harness goods, information, services, laws institutions and infrastructure resources of a country for the dynamics of the global economy.

Both Winseck's (1998) Canadian case and Dyson and Humphreys' (1988) Western European case demonstrate a very active state which sees through the separation of polity from economy and guarantees legally and politically the rights of contract and property. They also reveal a shift in power relations within states that often means the centralization and concentration of state powers as the necessary condition of and accompaniment to global market discipline. In terms of 'capitalist state' theory, state and capital are linked in the context of 'internationalization'. The main argument of the relations of the internationalization of state and capital is whether the state is losing its role.

2.1.1 State is in Decline

One set of analysts argues that the state's power is in decline or, as Strange (1996) asserted that what we are experiencing is the 'retreat of the state'. The power of the state, as this argument goes, is being undermined by an array of factors, including the rapid mobility of capital and the increasing integration of capital markets; the rising power of the major transnational corporations; the revolution in communications; and the expanding authority of international organizations. These factors subvert the state's capability to act in the interests of its citizens.

Strange (1996) argued the powers and responsibilities of state and governments were being eroded due to the structural forces in a predominantly market economy set free by the conscious decisions of

governments. Although some may argue it is the state that made the decision in the first place, the consequence of this action is the limit or constraint on the freedom of action of a person or institution. 'Therefore it loses power - in short, retreats' (Strange, 1996:85).

Strange (1996) drew this argument from her analysis of the telecommunications industry. She pointed out that at the peak of their power over society, states claimed and exercised the right to control the substance of information (by censorship) and to control the means by which information was communicated (post, telegraph, telephone). During the past two decades, a combination of technological change and demand in the market and policy changes driven by economic interests and an ideology of private enterprise decreased state power. The governments have been forced to give up their exclusive control for the sake of maintaining the competitiveness in world markets of the national economies for whose welfare they are held responsible. Strange (1996: 105-6) explained:

[In the US] The dominance of corporate users' interests over household users' interests results from the combination of new technology and vastly increased business demand. The effect has been generally felt in the more rapid fall of international and long-distance calls than of local ones. The power of governments for social policy reasons, ... has clearly diminished.

So has the control of governments. By means of their ownership of state monopolies, [Post, Telegraph and Telephone Department] used to have control over the design and availability of such communications. No longer. ...Governments are being forced, willy-nilly, to bargain with these transnational operating firms over the terms of which national systems are incorporated into the global network and the ways in which they develop.

In other words, the increase in user demand and new technologies make possible cheaper international and long-distance calls in the US. When international and long-distance calls were cheaper than local calls, the US government was not able to maintain an expensive rate. The result was that the US government had to incorporate the local telephone rate with the international one. In this sense, Strange argued that the US government was losing its control over setting the telephone rate.

2.1.2 New Role of State

On the contrary, another set of analysts argue that the state is not so much in decline as in the process of being transformed (Comor, 1997: 194) In the global era, it is argued, the institutional state must

reconcile the domestic interests it represents and the pressures that emanate from the international political economy. In mediating between domestic interests and the international political economy state are transforming themselves and the economies they regulate in such a way as to ride out, or even take advantage of, the change to the international political economy.

Murray (1971) demonstrated that as capital expanded territorially, one of the key problems it has to confront was how to ensure that state economic functions continue to be performed. An issue was the structural role of the capitalist state in relation to 'what may most aptly be called economic res publica, those economic matters which are public, external to individual private capitals'. This included guaranteeing, for instance, property and contract; availability of key inputs of labour, finance, technology, and infrastructure; regulating and providing ideological, and communications conditions of production and reproduction. With the performance of these international functions there stood the function of international management of external relations pertaining to any or all of these dimensions. Any capital that extended itself beyond the territorial boundaries of the state that had heretofore performed these functions has to either take these functions on themselves or have them performed by some other public authority i.e. State. Thus, foreign capital came to be serviced on the same basis as domestic capital.

Murray (1971) did not totally agree that the internationalization process reduces the role of the state. He explained that the transformation of the state due to the internationalization process means that states occupy new roles that were not held before. He pointed out that the state could continue to perform both intranational and international functions within the system of nation-states during the major increase in internationalization of production and distribution. Regarding the intranational performance of public economic functions for extended capital, Murray stressed that the positive advantages to capital in being able to play off one nation-state against another. 'Thus,' he stated, 'even where there is extensive territorial non-coincidence between domestic states and their extended capitals, this does not imply that the system of atomistic nation-states is outdated. The [notion]...that multinational corporations and nations are therefore fundamentally incompatible with each other is not necessarily true' (Murray, 1971:102).

However, Murray accepted that with the increase in internationalization of capital, there is some change of the control of national authorities. He said, 'There is accordingly a tendency for the process of internationalization to increase the potential economic instability in the world economy at the same time as decreasing the power of national governments to control economic activity within their own borders'. Attempts by states to stabilize their economy led to the adoption of policies that 'further weaken the national capital and increase the domination of foreign capital within the national economy'. Murray concluded that, precisely because capital was always a political opportunist that would take support from whatever public authority it could, 'existing states often suffered a decrease

in their powers as a result of internationalization...[yet] weaker states in a period of internationalization come to suit neither the interests of their own besieged capital not the foreign investor' (1971:109).

The above argument probably takes Murray back to the debate of Strange and others.

The role of governments in assisting and promoting globalization is responsible for some current confusions and disagreements about globalization and the changing role and power of states. Some of those who deny that the state is in retreat see that states themselves have taken decisions that augment the power of markets over governments. They are right. But the fact that a person or an institution decides to limit or constrain its own freedom of action does not alter the fact that, as a result, it loses power - in short, retreats (Strange 2000:85).

Poulantzas (1974), perhaps, gave a better explanation for the line of 'state versus capital' argument. He insisted that 'common formulations of the problem such as 'what can- or cannot- the state do in the face of the great multinational firms' [and] 'how far has the state lost powers in the face of these international giants?' are fundamentally incorrect' (Poulantzas, 1974: 70-88).

Poulantzas used 'US capital and EU states' case to demonstrate the relation of states and capital. He pointed out that European states performed both intranational and international function in relation to capital by 'taking responsibility for the interests of the dominant capital'. This involved not only granting the same type of concessions and subventions to US capital as it did to indigenous capital but also acting as a 'staging post' by supporting US capital in its further extension outside Europe. The internationalization reproduction of capital under the domination of American capital is supported by various national states, each state attempting in its own way to latch onto one or other aspect of this process.

Nevertheless, this did not mean that the state's policies weakened national capital as suggested by Murray (1971). Rather, it meant that countries make their industrial policies that promote the concentration and international expansion of their own domestic capital by linking it with the international reproduction of US capital (Poulantzas, 1974: 73). Nor did it mean 'capital escaping the state'. The local capital may increase its multiple ties of dependence in the international division of labour and in the international concentration of capital. It nevertheless, still maintained its own economic foundation and base of capital accumulation at home and abroad. The local capital also exhibited specific political and ideological features with autonomous effects on the state. The state has to control not only the struggle between dominant groups, but also between dominant groups and faction. Poulantzas (1974) wrote:

While the struggles of the popular masses are more than ever developing in concrete conjunctures determined on a world basis...it is still the national form that prevails in these struggles, however international they are in their essence. Internationalization of the State, therefore, could not 'be reduced to a simple contradiction of a mechanistic kind between the base (internationalization of production) and a superstructure (national state) which no longer corresponds to it'. Nor could the state be reduced to 'a mere tool or instrument of the dominant classes to be manipulated at will, so that every step that capital took towards internationalization would automatically induce a parallel 'supernationalisation' of states (Super state).

In this sense, the internationalization process does not mean that capital will bypass the state autonomy. Local capital still has to deal with productions and accumulation at home under state control. Moreover, it needs the state's support in advancing its economic foundation abroad. This interaction of internationalization of capital, state and production should be understood in the specific context of the nation-state's continuing central role in organizing, sanctioning and legitimating class domination within capitalism.

2.2 The Changing Relationship between the State and Business in Telecommunications Reforms

2.2.1 Class Perspective

The Marxist/class perspective writers such as Mosco argues that deregulation responds to the recognition that telecommunications and its related informatics and communications sectors, have come to occupy a central place in the capital accumulation process. Under the shaping influence of capital, with considerable state and particularly military, assistance, technology has deepened and extended the ability to make the products of computer communications, such as data and information, marketable commodities. The data/information commodity, a value in its own right, also enhances the value of more traditional commodities (Mosco, 1989).

In general terms, information, and the technology that produces and circulates it, overcome the space and time constraints that have previously inhibited capital from expanding territory and function, while retaining centralized control (Castells, 1985). The application of communication and information technology is vital for building an international division of labour that permits capital to

take profitable advantage of the most stable markets for financing, raw materials, and labour. The process of deregulation and privatization accelerates the commodification of information by rupturing the traditional relationships of business, the state, and labour. For example, the US Congress (1987a) reported that:

New transportation and communications technologies...have allowed transnational corporations to shift operations between countries, depending on contingencies such as labour costs, availability of resources, and the political and economic climate of their host nation. These developments have increased the power of the transnational corporation, as economies of scale have allowed the internationalization and vertical integration of their markets.

These relationships provided a workable regulatory solution during an era of continuous economic growth, national market focus, and a strong labour movement. In the United States, the relationship that linked the old AT&T, the Congress and the Federation of Communication Committee (FCC), the Communications Workers of America, and individual phone users is a prime example of the earlier solution (Schiller, 1999). In Canada, this solution linked Bell and other monopoly telephone companies, the government, regulators, unions such as the Communications Workers of Canada and the Telecommunications Workers Union of British Columbia, and local customers (Winseck, 1998). In return for providing secure employment and near universal phone service, AT&T was guaranteed an effective monopoly and a steady and secure return to shareholders (Schiller, 1999).

From the class perspective, deregulation is additionally a political instrument, one that 'unleashes' new instruments of social control (Robins and Webster, 1988:46). For example, the capacity of telecommunications and information technologies to measure and monitor every transaction amplifies the potential for workplace and consumer surveillance, producing a substantial increase in opportunities for social management and control (Mosco, 1989: 105).

The stakes in social management and control add significance to the struggle over eliminating regulation. Indeed, when non-dominant groups began achieving success applying pressure on the regulatory apparatus to implement their values more forcefully, the movement to deregulate undermined this success (Mosco, 1989). It was not until 1969 that a US court made the FCC grant standing to public interest groups in Commission proceedings. This resulted in a decade of strong public pressure on the FCC, particularly regarding mass electronic media.

According to a class analysis, deregulation is a response to the pressure of mounting social claims on the communications system; it is a means of eliminating social claims that the courts decided could

not be cut off by FCC administrative action. Deregulation thus becomes one way the state re-forms itself to eliminate an arena of potential class conflict (Mosco, 1989).

2.2.2 Liberal-Pluralist Perspective

Perhaps the perspective that gives a closer look at the rise of business interest groups and their power to challenge the state is liberal-pluralism. This perspective views that power is situational, in that it operates in specific circumstances over specific issues. The basic assumption of this position is that a society consists of heterogeneous constituents and is self-regulating. The state is one entity among numerous organizations, including business, unions, voluntary associations, and churches, which set of interest coalitions, focus their attention to meet their needs (Mosco, 1989). That is, the state is one of the interest groups which are looked upon as the main components of society, competing with one another to secure economic interests or access to power, and freely combine, dissolve and recombine in accordance with their interest lines. Each individual was portrayed as pursuing his or her own political and economic interests within society. In seeking to further these interests there was said to be a tendency for interest groups to form in order to articulate common concerns. But as each individual's interests were manifold, a large number of these groups formed, and each had varying but intersecting objectives to promote (Mosco, 1989).

At this point a common, liberal, conception of power emerges: that is, the tendency to consider that power is fragmented and spread throughout society. In this last instance, therefore, everyone's best interests will be served when any political decision is made (Miliband 1973:4). The political system is somehow believed to be working for the general good, distilling the general will of the whole society. In this view, liberal-pluralist political analysis largely ignored the utility of the state as a meaningful concept. The resurrection of the state embodied in the notion of the political system (Miliband 1973:4-5). The role of the state is defined within the functional model of political system. That is the state has legitimate right to sanction by the use of force to secure the interests of the social whole. This 'legitimate right to sanction' the role of the state leads to the definition of the state as an 'umpire' or 'facilitator' within society. Its role is 'to balance these pressure-group claims in order to secure political and social stability' (McLennan 1984:83).

According to liberal-pluralists, this shift represented a groundswell in the form of public support for private marketplace solutions over government intervention. It also resulted from pressure led by intellectuals and policy makers as they coalesced in their agreement on the need to minimize regulation. This shift forces the state to access the pressures of competing interests in a different fashion. Those who claim the state should intervene directly to support public concerns and equity lose influence to those who would have the state expand competition through private markets.

Pluralist theorists frequently do not refer to the state at all. The classical concept of the state is inconsistent with the view that the entire society and its governing institutions are becoming modernized. The notion of a state implies a monolithic, hierarchical, and centralized structure. Pluralists normally refer to the 'political community', 'political system', the 'polity', or the 'pluralist system' (Alford and Friedland 1985: 41). These varied terms suggest multiple sources or authority, institutions differentiated according to function (rule making, rule enforcing, rule adjudicating), and an open, accessible government. In short, a state in pluralist terms is referred to as a 'single system of law' that regulates a population pursuing a 'highly variegated set of interests' and enjoying 'constitutionally guaranteed rights in a variety of spheres of freedom' (Alford and Friedland 1985: 41).

In the pluralist perspective, the state's main function is either to serve as a neutral mechanism to aggregate preferences or to integrate society by embodying consensual values. Some suggest looking at government not as an instrument of power, but rather as a mechanism of 'communication' as the key mechanism steering the society (Alford and Friedland 1985: 43). To some pluralists, the state is no more than another nonmarket institution resulting from aggregated individual choice, without any societal function, power, or rule. The pluralist perspective views a capitalist economy as a process of modernization.

2.2.3 The Thai state and Business Relations

The view that non-bureaucratic influences have become increasingly significant in this study leads to an adoption of political economic approaches. The initial emphasis is on societal or class influences on the state rather than on the identification of interest groups. Political economists argue that class relations are significant in determining the nature of domination, the distribution and use of power in society. The nature of domination is seen to be structured by these relations (distribution-use of power) and by the relationship between elements in economy, society and state.

In examining political activity, political economists are interested in policy and policy-making (for example, Hewison, 1989 and Mosco, 1989). However, they view policy as representing the outcomes of a process of professional decision-making based on an analysis of available interest group inputs. Policy, thus, reflects the nature of domination in society. Questions normally asked, therefore, which policy agendas emerge and hold sway under particular regimes. This implies the question on issues such as the nature of domination, the growth of political opposition, the character of the state and regime and the development of civil society.

It was the expansion of civil society and their influence on the state and telecommunications politics, which is one of the initial organising themes for this study. The notion of civil society refers to an autonomous sphere of political space in which political forces representing various interests in society have contested state power. Political space is a site of struggle as well as negotiation and agreement. The notion of civil society also implies an interaction among groups such as trade unions, political parties, associations, which does not always require the institutions of parliamentary representation. Therefore, inevitably reproduce class inequalities of the society in which they operate. It is in this sense that class-based discussion is related to this study.

Pasuk (1997: 38) explains that before the mid-twentieth century, Thailand was divided into two main classes: *mandarin* bureaucrat dominant and peasants. After the second World War, these classes were layered by a new society emerged from industrialization. During this time, basic units of the new society are business and workers. Business classes or interests later split into metropolitan and provincial businesses. The metropolitan are interested in outward oriented growth, with an aim to move into the global economy. The provincial business crude primary accumulation. Workers are also divided into two main groups. The white-collar class are active in politics while the blue-collar have limited political weight largely due to accumulated government skill in managing it.

Nevertheless, this study uses the term 'forces' for several reasons. First, most of these forces do not represent anything as discrete as a class interest. Many are strategic alliances of uncertain duration, while others are class interests in the process of definition. Secondly, most of these forces do not have a clear institutional base: a key feature of Thailand's transitional state is the extraordinary fluidity of the institutional frame. Many of these forces are engaged in attempts to create new institutions to solidify their power, while others are trying to adapt to existing institutions.

The telecommunications business is comprised of many forces. Part of them are from old *mandarin* bureaucracy, which is deeply embedded in the institutional frame of the state and is entrenched in the political culture through a long period of ideological dissemination (see Chapter 3). Part of the telecommunications business emerged from economic expansion, which brings in Bangkok businesses. This group allies with technocrats and they institutionalized through lobby associations. Their powers are based on the persuasion ability of the technocrats and wealth of the Bangkok conglomerate.

During the telecommunications reform, the telecommunications force has challenged the old *mandarin* class, which tries to cling to a model of paternalistic rule and limit the growing significance of representative institutions. The metropolitan business finds old-style paternalism restrictive to national and economic development. Moreover, the metropolitan class are pressured by provincial

business who installed itself in the new representative institutions such as cabinet, parliament, local government and political parties. In relation to telecommunications development, labour forces are important as a strategic alliance.

2.3 'Mediator' State

Robert Cox (1997) suggested that to fully understand changes brought about by the internationalization of the state, one should investigate the historical role of 'social forces'. He argues that the internationalization of capital, state, and production do not reduce the role of the state. Instead, the state performs crucial roles by providing social forces, the rights of property and contracts; by dismantling obstructions to markets, as well as by ensuring economic certainty.

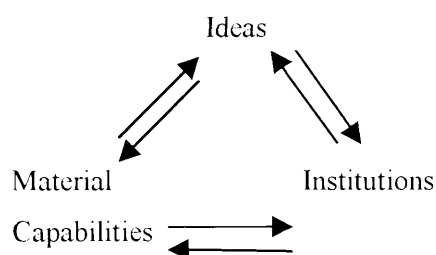
Cox suggests that in order to understand this change, historical materialism is a foremost choice in four ways. First, historical materialism concerns dialectic. Cox uses the term at two ways. At the level of logic, dialectic means a dialogue seeking truth through the exploration of contradictions. At the level of real history, dialectic is the potential for alternative forms of development arising from conflict between social forces in a historical situation (Cox, 1981:133-34). Hence, historical materialism sees in conflict the process of a continual remaking of human nature and the creation of new patterns of social relations, which change the rules of the game (Cox, 1981:134).

Secondly, historical materialism focuses on imperialism; hence it adds a vertical dimension of power to the horizontal dimension of rivalry among states. This vertical dimension involves dominance and subordination. Thirdly, historical materialism concerns the relationship between the state and civil society. Fourthly, historical materialism focuses upon the production process as a critical element in the explanation of the particular historical form taken by a state/society complex. In other words, historical materialism examines the connections between power in production, power in the state and power in international relations. It is sensitive to the dialectic possibilities of change in the sphere of production which could affect the other spheres, such as those of the state and world order (Cox, 1981:135).

These four points led Cox to advance a 'Framework for Action' to clarify changes of world order. The 'Framework for Action' or 'historical structure' is a picture of a particular configuration of forces. This configuration does not determine actions in any direct, mechanical way but imposes pressures and constraints. Individuals and groups may move with the pressure or resist and oppose them. If they successfully resist a prevailing historical structure, they create a 'rival structure' (Cox, 1981:135). Thus the framework for action changes over time. The changes of a historical structure

depend on a combination of thought patterns, material conditions and human institutions, which has certain coherence among its elements.

Figure 1 Cox's Framework for Action



From Figure 1, Cox (1981) explains that material capabilities are productive and destructive potentials. In their dynamic form these exist as technological and organizational capabilities, and in their accumulated forms as natural resources which technology can transform, stocks of equipment and the wealth, which can command these.

Ideas are those shared notions of the nature of social relations and those of collective images of social order held by different groups of people. An example of the first is the notions that certain kinds of behaviour are to be expected when conflict arises between states, such as negotiation, confrontation or war. These ideas are historically conditioned. It is possible to trace the origins of such ideas and to detect signs of a weakening of some of them (Cox, 1981:136). An example of collective images is religious consciousness (Max Weber, cited in Cox, 1981:153). Collective images may be several and opposed which provides evidence of the potential for alternative paths of development and raises questions as to the possible material and institutional basis for the emergence of an alternative structure (Cox, 1981:136).

Institutionalization is a means of stabilizing and perpetuating a particular order. Institutions reflect the power relations that reflect collective images consistent with these power relations. Institutions can become a battleground of opposing tendencies or stimulate the creation of rival institutions

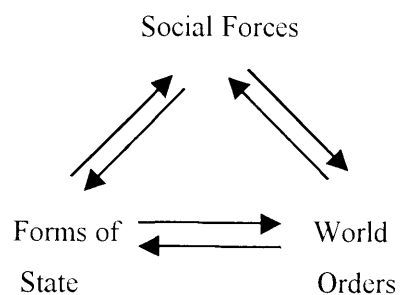
reflecting different tendencies. Institutions are particular combination of ideas and material power, which in turn influence the development of ideas and material capabilities (Cox, 1981:137).

There is a close connection between institutionalization and Gramsci's notion of hegemony (Cox, 1981:137). Institutions provide ways of dealing with internal conflicts so as to minimize the use of force. There is enforcement potential in the material power relations underlying any structure, in that the strong can strike the weak if they think it necessary. But force will not have to be used in order to ensure the dominance of the strong to the extent that the weak accept the prevailing power relations as legitimate. The weak may do so if the strong see their missions as hegemonic and not merely dominant or dialectical. That is if they are willing to make concessions that will secure the weak's acquiescence in their leadership and if they can express this leadership in terms of universal or general interests, rather than just as serving their own particular interests (Jessop, 1992). Thus 'institutions become the anchor for such a hegemonic strategy since they lend themselves both to the representations of diverse interests and to the universalisation of policy' (Cox, 1981:137).

The method of historical structures is one of representing 'limited totalities' (Cox, 1981:137). That is the historical structure does not represent the whole world but rather a particular sphere of human activity in its historically located totality. The dialectic in the historical structure links the structures to actions, hence revealing the definition of a particular structure as well as the emergence of rival structures expressing alternative possibilities of development (Cox, 1981:137).

The method of historical structures (Figure 1) is applied to the three spheres of activity namely the organization of production, forms of state and world order (Figure 2) (Cox, 1981:138).

Figure 2 Cox's Spheres of activity



The three levels are interrelated. Changes in the organization of production generate new social forces, which in turn bring about changes in the structure of states. The generalization of changes in the structure of states alters the problematic of world order.

The relationship among the three levels is not unilinear. Transnational social forces have influenced states through the world structure upon the development of state structures in both core and periphery. Particular structures of world order exert influence over the forms which states take. For example, Import Substitution Industries (ISI) and Export-Oriented Industries (EOI) policies in Thailand led to a transformation of state and market towards market-oriented state. Forms of state also affect the development of social forces through the kinds of domination they exert, for example, by advancing one class interest and thwarting others.

How could 'Framework for Action', 'Spheres of activity' and the 'concept of hegemony' be applied? Cox (1981:139) suggested this can be done by equating stability with a concept of hegemony that is based on a coherent conjunction or fit between a configuration of material power, the prevalent collective image of world order and a set of institutions which administer the order with a certain semblance of universality.

2.3.1 Social Forces and Hegemony

Cox explains that these three dimensions are fitting together in certain times and places and coming apart in others. How could we explain how and why the fit comes about and comes apart? Cox suggested that we identify the structure characteristics of world order as configurations of material capabilities, ideas and institutions (Figure 1) to explaining their origin, growth and demise in terms of the interrelationships of the three levels of structures (Figure 2). Hegemony is linking between material power, ideology and institutions, and a cycle of history.

Social forces are not to be thought as existing exclusively within states. Particular social forces may overflow state boundaries, and world structure can be described as configurations of state power. The world can be represented as a 'pattern of interacting social forces in which states play an intermediate though autonomous role between the global structure of social forces and local configurations of social forces within particular countries' (Cox, 1981). Power is seen as emerging from social processes rather than taken as given in the forms of accumulated material capabilities, that is as the result of these processes.

In this way Cox concluded that the Pax Americana was hegemonic. It commanded a wide measure of consent among states outside the Soviet sphere and was able to provide sufficient benefits to the associated and subordinate elements in order to maintain their acquiescence (Cox, 1981:144). From this conclusion, Cox asked what are the mechanisms for maintaining hegemony in this particular historical structure? And what social forces and/or forms of state have been generated within it with could oppose and ultimately bring about a transformation of the structure? The answer lies in the notion of internationalization of the state.

Cox used the example of the rise and fall of the hegemonic world order of Pax Americana. He pointed out that after the 1945 war, there was a shift in states' relative economic-production powers from pre-war nonhegemonic system of nationalist and welfare states to the interstate agreement forged at Bretton Woods. This shift put into place of the new order involving re-organizing of the state's structure and role in its external and internal aspects. The new order 'Pax Americana' 'was held in place by a configuration of different forms of state whose common feature was the role each played in adjusting national economic policies to the dynamics of the world economy. It was held also under the continued surveillance, incentives, and sanctions of new international financial institutions such as the IMF and the World Bank, which behaved as accessories to US policy' (Cox, 1987: 253-256).

2.3.2 The Internationalization of the State

The basic principles of the Pax Americana were relatively free movement of goods, capital and technology and a reasonable degree of predictability in exchange rates. Moreover, the post-war hegemony was institutionalized and the main function of its institutions was to reconcile domestic social pressures with the requirements of a world economy. For example, the IMF was set up to provide loans to countries with balance of payments deficits in order to provide time in which they could make adjustments and to avoid the sharp deflationary consequences of an automatic gold standard. The World Bank was to be a vehicle for longer-term financial assistance. Economic-weak countries were to be given assistance by the system itself. These institutions incorporated mechanisms to supervise the application of the system's norms and to make financial assistance effectively conditioned upon reasonable evidence of intent to live up to the norms (Cox, 1981:145). This machinery of surveillance was supplemented by elaborate machinery for the harmonization of national policies, for example, as in the case of the OECD.

The notion of international obligation moved beyond a few basic commitments, such as observance of the 'most favoured nation principle' to a general recognition that measures of national economic policy affect other countries and that such consequences should be taken into account before national policies are adopted (Cox, 1981:145). Conversely, other countries should be sufficiently understanding of one country's difficulties to acquiesce in short-term exceptions. Adjustments are thus perceived as responding to the needs of the system as a whole and not to the will of dominant countries. 'External pressures upon national policies were accordingly internationalized' (Cox, 1981:145).

Such an internationalized policy process presupposed a power structure, one in which central agencies of the US government were in a dominant position (Cox, 1981). However, it does not imply a hierarchical power structure with lines of force running from the top down, nor was it one in which the units of interaction were whole nation-states. Pax Americana was a power structure seeking to maintain consensus through bargaining among fragments of states where parties tacitly took the power behind the negotiation into account.

2.3.3 The Internationalization of Production

Cox (1981) explains that the internationalization of the state is associated with the expansion of international production. This signifies the integration of production processes on a transnational scale, with different phases of a single process being carried out in different countries (Schiller, 1999). International production currently plays the formative role in relation the structure of states and world order. International production expands through direct investment. The arrangements may take the form of wholly owned subsidiaries, joint ventures with local capital sometimes put up by the state in host countries, management contracts with state-owned enterprises, or compensation agreements in return for the provision of technology (Schiller, 1999). These enterprises become suppliers of elements to a global organized production process planned and controlled by the source of technology.

2.3.4 International Production and Class Structure

International production is mobilizing social forces, and 'it is through these forces that its major political consequence vis-à-vis the nature of states and future world orders may be anticipated'. As a

consequence of international production, it becomes increasingly pertinent to think in terms of a 'global class structure alongside or superimposed upon national class structures' (Cox, 1981:147).

The transnational managerial class is at the apex of an emerging global class structure. It has its own ideology, strategy and institutions of collective action such as the World Bank, IMF and OECD. It develops both a framework of thought and guidelines for policies. From this point, class action penetrates countries through the process of internationalization of the state. The members of transnational class are not limited to the TNCs and international agencies, but also include 'internationally-oriented sectors within countries, the finance ministry officials, local managers of enterprises linked into international production systems' (Cox, 1981:148). In the case of Thailand, they are, for example the Ministry of Commerce, parts of the Telephone Organization of Thailand, and parts of the Communications Authority of Thailand.

In other words, the new order of Pax Americana was a result of the ideological change from the welfare state to Bretton Woods system. It was also a result of the material change from the Second World War to recovery. It was also a result of the institutional change from the national to the international system. These social forces did not diminish the state but they brought in the transformation of the state's structure and roles. 'The state has the 'dispensable functions'. The state has to perform in a capitalist society, from guaranteeing property and contracts, to dismantling obstructions to markets, to ensuring the soundness of money' (Cox, 1987:132-3), in adjusting national economic policies to the dynamics of the world economy.

Cox approaches the state transformation from 'outside in'. He begins with international consensus formation, agreements, and obligations, to which internal state structures are then adjusted.

There is a process of interstate consensus formation regarding the needs or requirements of the world economy that takes place within a common ideological framework (i.e. open economy) ...the internal structures of states are adjusted so that each can best transform the global consensus into national policy and practice, taking account of the specific kinds of obstacles likely to arise in countries occupying the differently hierarchically arranged positions in the world economy (Cox, 1987:254).

The role of the state in the process of establishing and internalizing a 'notion of international obligation' to the world economy constitutes the 'internationalization of the state'. Nevertheless, he carefully put it that this 'was not necessarily a power structure with lines of force running exclusively top-down, nor was it one in which the bargaining agents were whole nation-states'. Because an

internationalized policy process was aimed at maintaining consensus through the bargaining process made by bureaucratic fragments of states.

Cox used Strange's (1970) case to demonstrate Britain's internationalizing/internalizing policy process. Britain as an international debtor had to reassure loan from foreign bankers and governments but it did not want to open up its domestic financial security by being too dependent on foreign counterparts. At the same time, it needed to reassure the creditors of the loan policy as well as to reassure its nation of its sovereignty. In order to balance its international and internal requirements, it adopted an incentive policies that attract creditors and at the same time to reassure its domestic security (Cox, 1987:256-7).

Cox used the structural change during the Second World War to demonstrate his point further. He explained that during the Second World War, the states created buffers to protect the domestic economies from external forces. These buffers were lowered when the states established international relations after the war. The compromise between the international and domestic policies was a framework brought by internationalization of the state. However, the state still had a central role to play. He argued that there was a shifted from national economies to the world economy, but states were recognized as having a responsibility to both (Cox, 1987:254-5). In this sense the state turned into a mediator between the externally established policy priorities and the internal social forces for which it was still accountable.

Cox argued that the transformation of the role of state to become 'mediator' does not mean the state was less powerful in terms of controlling the national economy than before the war. The state still determined the organization of production directly or indirectly by creating the framework of laws, institutions, practices and policies affecting production (Cox, 1987:106).

The World Bank report (1997) supports Cox's argument. Having long denied the role of state intervention in the rise of many successful market economies, the World Bank now acknowledges the 'vital, catalytic role [played by the state] in the development and growth of markets in Europe, Japan and North America', and goes on to conclude that:

An effective state is vital for the provision of goods and services – and the rules and institutions that allow markets to flourish and people to live healthier and happier lives (1997:21).

The state also has a role to mediate between classes. The World Bank states that the state has to 'protect the vulnerable' It is not enough for states 'merely to deliver growth'. The state also has an obligation 'to ensure that the benefits of market-led growth are shared through investments in basic

education and health (World Bank, 1997:4). In relation to telecommunications development, the state has to 'harness the energy of the private business and individuals and acting as their partners... instead of restricting their partnership' (World Bank, 1997: 32).

A new stage in the internationalization of the state arose, however, in the wake of the crisis in the post-war order that emerged in 1968-75. This crisis has led to the further expansion of 'the breadth and depth of the global economy'. During this period, the domestic 'fine-tuning' capacity of tripartism were severely tested by the crash of domestic i.e. inflation, unemployment, declining profit, and of international i.e. internationalization of production and finance. States' roles, once again were re-defined 'by a collective effort of ideological revision undertaken through various unofficial forum, as well as more official agencies such as the OEDC' (Cox, 1987: 282-83).

The doctrine that emerged, 'the Thatcher-Reagan hyperliberal state form' (Cox, 1987), attacked the post-war compromise in both senses of the term: the domestic compromise that tied in labour and welfare interests and the international compromise of mediating between national interests and the global order. Inside the state there is a further 'shift in power' away from those agencies most closely tied to domestic social forces and towards those close to the transnational process of consensus formation.

The transnational process of consensus formation is discussed by Cox (1987). He suggested that there is a transnational process of consensus formation among the world leaders. They agreed that the state should be internationalized. By internationalization of the state, they meant that the state should adjust national policy according to global model. In his own words, Cox said:

There is a transnational process of consensus formation among the official caretakers of the global economy. This process generates consensual guidelines, underpinned by the ideology of globalization, that are transmitted into the policy-making channels of national governments and big corporations. The structural impact on national governments of this centralization of influence over policy can be called the internationalization of the state. Its common feature is to convert the state into an agency for adjusting national economic practices and policies to the perceived exigencies of the global economy (Cox, 1992: 30-31).

In this sense, Cox (1992:31) argued that the state becomes a transmission belt from the global to the national economy. In this adjustment, power within the state becomes concentrated in those agencies in association with the global economy, for example the offices of presidents and Prime Ministers, treasuries, central banks. The agencies that are more closely tied with domestic clients - ministries of industries, labour ministries, etc - become subordinated.

However, Cox's explanation of the link between the internationalization of the state and the transformation of its structure and role is not without problem. The notion of the state moving from being a buffer to being a mediator to finally becoming a transmission belt (Cox, 1992:30-31, 1987: 259) is too formal in its distinction of stages in the relationship between global and national economy (Panitch, 1997). It is also too top-down, giving more credit to global power over national power, or giving less credit to the national state.

Panitch (1997) nevertheless argued that to explain this transformation in terms of state becoming a transmission belt from the global order to national policy is 'too straightforward'. It assumes that the state is 'gentleman' (good governance), preferring to practice policy harmonization to maintain global consensus and that there is a 'centralized supranational management structure' that each state can apply. Although there is a tendency among states toward commercialization, privatization, liberalization, and internationalization in telecommunications industries, there is evidence of an inability to forge policy consensus among states as is argued by Mosco (Mosco, 1996).

Mosco's argument is supported by Balaam and Veseth's (2001) study of the GATT negotiation. Balaam and Veseth (2001:112) explained that although there is a consensus for a desirable liberal system, 'individual nation-states try to pursue mercantilist policies while worrying about becoming dependent and being exploited by other nations. Thus it is possible for national leaders apparently to pursue a global system of free trade, but protection for domestic firms and workers by promoting high-wage or high-technology industrialization'. In this sense the role of each state is still determined by struggles among social forces always located within each social formation.

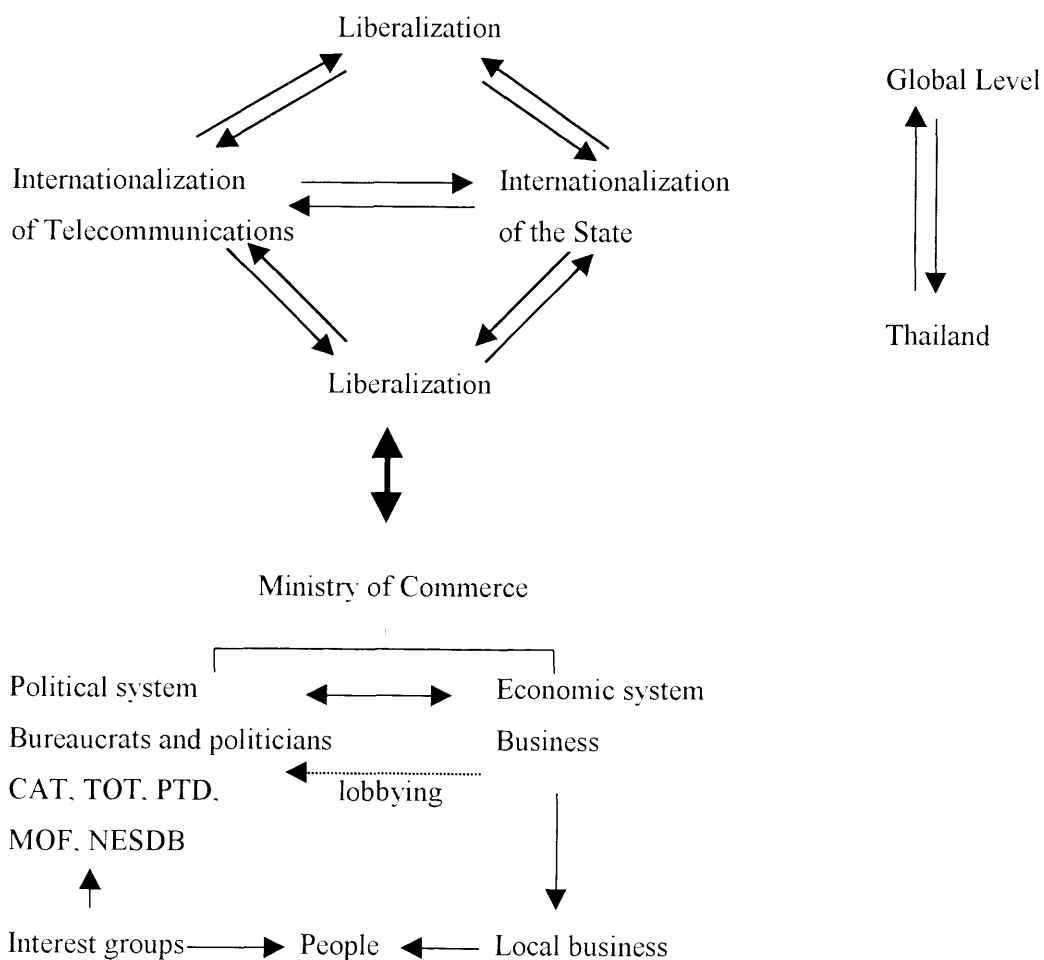
3 Cox's Framework for Action and the Telecommunications industry

When we mapped Cox's Framework for Action on the telecommunications industry. We have Liberalization as an ideological aspect, internationalization of the telecommunication industry as a material aspect, and internationalization of the state as an institutional aspect (Figure 3).

Liberalization ideology is transferred from the global to the national through the process of internationalization of state and telecommunications industry. However, Cox (1981) suggests that the process is not a one-way, top-down from the global to domestic, but also from bottom-up from the domestic to the global and expand-out from one nation to others.

According to Cox, the process of internationalization links the global and local system together. Thus the idea of liberalization of telecommunications at the international level could be said to permeate through the local, individual state through the internationalization process. State agencies at a global-local interaction are for example, in this study, Ministry of Commerce and Ministry of Foreign Affairs who are negotiating directly with the WTO. The hegemonic idea of liberalization also acts as a link between state and society at the local level. Actors at domestic level include business, state-owned telecommunications agencies, Ministry of Finance, Ministry of Transport and Communications and NESDB.

Figure 3 Framework for Action in Telecommunications Industry



3.1 Using liberalization of services policies as a linked set of concepts: Ideological Aspect

Although the term ‘liberalization’ is used to mean many things in political and economic analyses, here it follows Mosco and Wasko’s (1988) definition, referring to greater use of market mechanisms to guide social, economic, and political life. Applied to services, liberalization involves analytical, policy and institutional shifts. The various measures – commodification, privatization, deregulation and expanded international trade and investment policies and practices – are all parts of the broader process of liberalizing service institutions.

The liberalization of trade in services implies first, altered forms of state intervention, national control and guidance of service activities. Liberalization policies refer not only to international trade policies: by including the formation of information commodities and markets, they confront head-on certain notions of the role of the state in planning and national development and national patterns of state-civil society relations. National communications policies and practices are therefore connected with and are constituent parts of international practices and institutions (Mosco and Wasko, 1988). This linkage is consistent with the holistic theoretical framework of Robert W. Cox, which ties historical forms of state and state-civil society relations to patterns of world order.

The definition of service liberalization, secondly, points to the importance of new policy approaches or rationality in international organizations (Mosco and Wasko, 1988 and Dyson and Humphreys, 1990). The Gramscian perspective (as used by Cox, Stephen Gill and David Law, and Craig Murphy and Enrico Augelli) links the fit between the relationship of material forces and forms of consciousness to the formation and operation of international institutions and world orders.

Liberalization, thirdly, implies new roles and relations among international organizations dealing with service issues (Mosco and Wasko, 1988 and Dyson and Humphreys, 1990). Some liberal analysts argued that information services presented a policy void at the national and international level. Liberalization is thus the extension of co-operation between nations that existed before the 1980s. For instance, UNESCO’s information issues in the New World Information and Communications Order, the telecommunications services negotiation in GATT, the standardization of telecommunications in ITU and the property right in the World Intellectual Property Organization (WIPO).

Neo-Gramscian scholars have argued that these changes constitute the ‘internationalization’ or ‘transnationalisation’ of the state, subordinating the interests of national social forces to the requirements of the growing global economy (Cox, 1987 and Gill, 1993). This process is configuring a neo-liberal form of state based on money and open markets as the dominant model of state. A range

of formal and informal international and transnational agencies linking states in a loose form of global governance pervaded by the neo-liberal discourse transmitting the ideas and concepts associated with this form of state (Cox, 1987 and Gill, 1993).

3.2 Internationalization of Telecommunications Industry: Material Aspect

The telecommunication sector has clearly internationalized over the past four decades. The number of worldwide installed main telephone lines has grown eight-fold since 1960s, and increased by nearly sixty per cent just between 1991 and 2000 from 546 to 986 millions. Cellular phone systems added hundreds of millions of additional units to the worldwide base, with approximately 46 times increase between 1991 and 2000 (Table 1.3). Advances in transportation and management strategies using information technologies facilitated this growth. The globalization process has not resulted from an advance in technologies alone, but from transnational firms and their decisions to relocate facilities close to production (Schiller, 1999:36).

Table 1.3 Global Telecommunications Indicators

Year	Main telephone lines (millions)	Mobile cellular subscribers (millions)	Internet Users (millions)
1991	546	16	4.4
1992	574	23	6.9
1993	606	34	9.4
1994	645	56	16
1995	691	91	34
1996	741	144	58
1997	795	215	96
1998	849	319	155
1999	907	491	241
2000	986	741	361

Source: International Telecommunication Union, 2001

Between 1973 and 1993, transnational corporations (TNCs) from the developed countries grew in number from 7000 to 26000 (Schiller, 1999:37). TNCs invested in new plants, offices and factories

throughout the world. Annual foreign direct investment (FDI) in less developed countries tripled between 1990 and 1995 to \$112 billion. 38 per cent of all FDI outflows from the US went to developing countries in 1993 to 1995, compared with 22 per cent over the 1983 to 1992 period (Schiller, 1999:38).

The TNCs not only 'globalize' their productive operations, but also the organization of production. In order to sell into markets worldwide and to gain access to cheap labour wherever they might be, corporations grew intent on reconfiguring their operations as transnational production chain. They were 'reorganizing their cross-border production activities in an efficiency-oriented, integrated fashion, capitalizing on the tangible and intangible assets available throughout the corporate system' (Schiller, 1999:39). The result of this production chain is cross-border corporate mergers and acquisitions. The volume of worldwide corporate mergers and acquisitions expanded dramatically during the mid-to late 1990s. In the first six months of 1998, global mergers and acquisitions were worth over \$1 trillion (Financial Times, 1998). In addition, cross-border production and marketing agreements between firms also proliferated. During 1995, nearly 4600 such agreements were concluded globally, compared with 1760 in 1990 (World Investment Report, 1997:xvii).

An Asian economic crisis accelerated the neo-liberal trend. In 1997 and 1998, Thailand, Indonesia and South Korea had to approve radically increased levels of foreign investment in overextended domestic industries in return for bailout 'aid' (Cabinet Resolution, 1997). The United States acquisitions of Asian business properties reached a value of \$8 billion in the first half of 1998, double that of the previous record year, with European buyouts at \$4 billion, also at record levels (Financial Times, 1998).

TNCs need sophisticated network systems and infrastructure to support their export-oriented regional and global integrated production strategies. Corresponding to the ongoing build up of transnational production chains was therefore a powerful pan-corporate attempt to subject worldwide telecommunications policy to neo-liberal regulatory norms.

3.3 Transnationalization: Institutional Aspect

Implementing a global telecommunications grid and neo-liberal regime required political intervention. Business users wished to harmonize and mesh their offshore operations with the customized telecommunications applications they were developing especially in the US, thus they demanded a permissive global telecommunications regime (Schiller, 1999). Through global

telecommunications liberalization, big banks, for example, glimpsed the possibility and profitability of global trading. Telecommunications network applications accordingly began transnationalization.

In the process of transnationalisation, Gill (1993) notes that there is a coherent class formation of certain transnational class who are forming the international telecommunications network.

The elite within this class fraction can be said to be at the zenith of an emerging transnational historical bloc, whose material interests and key ideas within a broader political consciousness are bound up with the progressive transnationalization and liberalization of the global political economy. Among its key members are top owners and key executives of transnational, central and other international bankers; many, though not all, leading politicians and civil servants in most advanced capitalist countries, and in some developing countries (1993:261).

Improved transport and communications technology has facilitated the growth of a transnational class fraction. Private and public institutions have improved dialogue and interaction between elites advancing a transnational identity and shared consciousness that promote a closer identification of interests as the class becomes more a class 'for itself' (Marx cited in Schiller, 1999) as opposed to merely a collection of disparate social and material forces. This is clearly evident in telecommunications industry as Schiller (1999) illustrated in *Digital Capitalism: Networking the Global Market System*.

In the telecommunications industry, Schiller (1999) notes, high-technology corporate operations were moving beyond the developed market economies. For example, of the fourteen 'megafabs' in development before the Asian crisis in 1997, high-technology semiconductor fabrication plants costing at least \$1.5 billion each, four were to be located in China, South Korea and Taiwan (Schiller, 1999: 42). IBM, Microsoft and Cisco Systems set up software research and development laboratories in India to tap into the technical talent available there (Schiller, 1999: 42). Data-entry jobs were increasingly subject to relocation across border from high-wage to low-wage areas. US offshore animation factories in South Korea, Taiwan and the Philippines produced audio-visual shows to serve US domestic demand (Sussman and Lent, 1991:239-245).

On one hand, therefore, as a direct consequence of their reliance on networks, TNCs enjoyed new flexibility in deciding where and for how long to locate any particular production process. On the other hand, this same restructuring demanded that ever-increasing priority be accorded to telecommunications. For example, about 45 billion or one-third of direct capital investment during 1997 in Mexico was channeled into telecommunications (Schiller, 1999:43).

Worldwide sales of telecommunications services grew, correspondingly, at a rate of 7 per cent during 1995, above that of global gross domestic product (ITU, 1996). The unprecedented transborder system-building boom that ensued was not only changing economic and organizational structures but also political structures. A special case was the 1984 privatization of the United Kingdom's national carrier, British Telecom (BT) and the authorization of a competitive carrier, Mercury. By 1997, no less than 120 rival companies competed in all segments of the British telecommunications market, which in turn had become the main hub for Continental Europe (Schiller, 1999:43). This pressured other countries to liberalize their own policies, as the current European Telecommunications Commissioner declared – so as to 'release the forces of the market' by eliminating existing state monopolies in telecommunications services and network infrastructure operation (Telecommunication Policy 19, No.5, 1995:381-390).

In this sense, Gill (1993) explains that the network of this transnational class formation occurred at the same time as the transnationalization of the state, where the power and mobility of transnational class condition state policy and institutional arrangements. The transnational class formation and the transnationalisation of the state is linked through foreign capital, in which states are pressured to provide the 'appropriate' business climate for foreign investors. The process of transnationalisation is reshaping state policies towards market and the appropriate socio-economic framework for the neo-liberal conception of development.

The adoption of liberalization as a new order has been gradually taking over the previous regulation of monopoly by the state. Liberalization is also replacing a situation where the state acts to accommodate and favour capital, becoming an instrument for adjusting domestic policies as directed by the constraints of the global economy whereby the state is steadily becoming the transmission belt from the global into national economic spheres. With the global economy increasingly characterised by the interpenetration of markets the state is itself forced to act increasingly as a market player, shaping policy to promote returns from market forces in a transnational setting (Cerny 1990:230).

Gill (1993) suggests that liberalization policy at the international level is reflected in a growing consensus to the direction of state telecommunications policy. Convergence has grown on an increasing market orientation to reduce the input of government and the transference of emphasis to private initiatives – liberalization, privatization and independent regulatory bodies. Fundamental to this reform is the installation of neo-liberal ideas and practices that reinforce the promotion of market efficiency and the advantage of free trade set within a specific framework of WTO (on basic telecommunications). The nature of WTO disciplines restricts the possibility for subordinate classes to offer equal alternatives. The familiar liberalization and privatization fuses the diversity of understanding of the world into an unproblematic and 'natural' worldview. Hence, the interest of a

particular class ideology becomes an incontestable structure of thought and its extension into other nations through the reform of telecommunications industry.

A similar trend also began in developing countries, especially those supported by the International Telecommunication Union (ITU), the World Bank (WB) and the International Monetary Fund (IMF). Writing about the meetings to determine world allocations of radio frequencies, Liching Sung observed that WAR-92

Was more heavily influenced by commercial concerns than any other radio conference at the ITU. ... The increased role of the private sector plays in telecommunication policy making largely reflects the global telecommunications and privatization trends (Sung, 1992:625)

According to the Stern Report on *The World Bank's role in fostering telecommunications development*, the Bank provides loans to developing countries under conditions that:

The state monopoly of telecommunications should be changed to private ownership, as is the case in many industrialized countries. If developments in global communication create a new demand, then the market should create new enterprises to respond to that demand. The World Bank further insists that developing countries should adapt their economic policy to attract foreign investors. The endorsement of the private sector is of primary importance, alongside major adjustments in the infrastructure and policy sectors. (Stern, 1986)

Similarly, in the context of the debt crisis of the 1980s, national elites in Latin America, the Caribbean and Africa were asked by the IMF to adopt the neo-liberal doctrine that favours market to the state in economic development. Resulting from such a policy, privatization of state telecommunications systems were carried out in Mexico, Venezuela, Peru and Argentina (Schiller, 1999).

As a consequence of these initiatives, no fewer than forty-four public telecommunications operators were privatized between 1984 and 1996, with a total capitalization of \$159 billion. By value, 11.5 per cent of these privatization took place in Latin America and the Caribbean, 31.3 per cent in Western Europe and 54.3 per cent in the Asia-Pacific area (ITU 1996/97:2, fig. 2). Telecommunications privatization accounted for fully 44 per cent by value of the 547 projects of infrastructure privatization that occurred overall between 1984 and 1996 (ITU, 1996/97:45).

CHAPTER TWO

Hegemony and the State-Business Relations

1. Introduction

This chapter tries to assess whether the application of the neo-Gramscian concepts of hegemony, historical bloc, extended state and civil society as developed by such writers as Robert Cox provided the basis for an understanding of the telecommunications reform of Thailand during the 1980s and 1990s.

Neo-Gramscian writers have often emphasized the role of ideology and ideas in policy making. According to this approach, policy options and outcomes are deeply shaped by the ideological framework of political parties in power and by the economic and political ideas available to them. Some studies have stressed the role of ideology and ideas at a national level (Adler 1987, Goldstein 1989), while others emphasized the working of new ideas in the emergence of changing international political and economic agendas (Hall 1989 and Nicholaidis 1992). For example, the study by ITU of OECD telecommunications sector restructuring found that there is an evolving pattern 'of replacing monolithic by multiple network service structures and establishing autonomy in planning, management and finance of operating entities'. Over the 1980s, in OECD member countries, the concept of natural monopoly governing telecommunications has given way to the introduction of competition, in respect of universal service or national security (The Communication Authority of Thailand, 1993:9).

Some believe that the dominant ideology of governing elites emphasizes the role of telecommunications in economic development. In his study of South East Asian countries, Ure (1995) argues that the presence of a national development ideology led some countries to introduce reform in the telecommunication sector.

In the case of telecommunications reform, revived and updated neo-liberal ideas clearly contributed to setting the agenda and the general policy framework under which privatization and liberalization were carried out. However, the outcomes of policy implementation between, for example, Thailand and the US or UK are different although they share similar ideas of what should be reformed and how. Thus, one should look beyond ideas for better explanations of the evolution of the policy-making

1.2 Assessing the explanatory power of the neo-Gramscian version of hegemony

Mosco (1996:242) suggests that in the midst of a state/society structural and constitutional reform (through commercialization, liberalization, privatization, or internationalization), hegemony provides a dimension to the process of 'structuration'. Hegemony is defined as 'the process of constituting the common-sense', that helps to understand 'the specific contours of advanced capitalist societies, particularly their capacity to base control on consent more so than on physical coercion'. Hegemony is politically constituted but does not reflect an instrumental distortion of image and information. Rather, hegemony is the ongoing formation of image and information to produce a map of common sense sufficiently persuasive to most people that it provides the social and cultural coordinates that define the natural attitude of social life. Hegemony is not therefore something that is imposed by class power, but constituted organically out of the dynamic geometry of power embedded in social relations throughout society. In other words, hegemony is 'invented traditions': 'a set of practices, normally governed by overtly or tacitly accepted rules and of a ritual or symbolic nature, which seek to inculcate certain values and norms of behaviour by repetition, which automatically implies continuity with the past' (Hobsbawn, 1983:1).

When this meaning is applied to telecommunication reform, an hegemonic idea such as liberalization is embedded in a range of substantive ideas such as the widespread acceptance of the marketplace as the cornerstone of a productive economy, as the symbol of the primary means of carrying out democracy (rule of the game), and of constitutional objectivity as the product of basic human rights (Constitution B.E. 2545, Article 40). These hegemonic views are neither politically neutral values, nor ideological instruments of control imposed from above. They are common sense in everyday life, developing out of hierarchies of social relation.

Given the power of hegemonic ideas, how is it possible to accomplish Gramsci's transformation? This is difficult because the power of a dominant hegemony is dynamic, as it responds to changing political and social relations to take on new forms: for example, the expansion of national into global system (internationalization of state), the incorporation of what were once oppositional notions into the dominant hegemonic constellation or triple alliance (Anek 1994), and the reconstruction of ideas about telecommunications reform.

Gramsci and Cox's works are similar in that both are explicit on the influence of ideas. Cox's work is based on Gramsci's notion of hegemony. The concept of hegemony is based on the notion that control over ideas is central to legitimising and maintaining the fundamental conflict of socio-economic structures within state-society relations and in which Cox adopted later in his *Social Forces in Making History* (1987).

The radical/critical Marxists, such as Robert Cox focus precisely on the connection between the social and economic structures of the capitalist economic system, on the one hand, and the exercise of political power in the system, on the other. Within domestic political systems, the capitalist system of production establishes the dominance of one class over another. In this view the state is the capitalist state (Gill and Law 1988, Chapter 5). As the economy becomes internationalised, the class dominance projects itself into international politics. Cox (1987) followed Gramsci by emphasising the power of ideas and knowledge structures and how they emerged from the material interests of different constituent elements of the capitalist system. Control over ideas is central to legitimising and maintaining the fundamental conflict of socio-economic structures within state-society relations. Ideological elements play a vital role in securing the hegemony of the neo-liberal historic bloc. Gramsci made explicit the connection between the hegemony of a ruling class and the activities of intellectuals in creating and sustaining hegemony. As Sklair (1997:515) notes:

Distinct groups of intellectuals, inspired by the promise of actual achievements of global capitalism, articulate what they perceive to be its essential purposes and strategies, often with support and encouragement from the corporate elites and their friends in government and other spheres.

This neo-Gramscian approach provides a flexible analytical tool of considerable promise for an understanding of political economy across levels of analysis. Patterns of order are directly related to the balance of social forces of the system, particularly those in the dominant position. The approach also permits a focus on the fragmented and often conflictual relationships within the capitalist or business class itself, which are so crucial to the nature of political economy of the state –society relations, and to this study.

This study discusses Gramsci in three steps. First, it highlights the principal intellectual attractions of using Gramsci. Second, it explores how Gramscian concepts are used, especially in relevant to Robert Cox Social Forces framework discussed in previous chapter. Finally, it examines the relevant of Gramsci's theory of hegemony and the relation of power to this thesis. Rather than engaging Gramsci's work and his concept of hegemony in total, which is a difficult task, this study is focusing more on the relationship of his thought to the modern situation and how it can help us, in conjunction with Cox's social forces notion, to understand the relationship between state and society, especially the business faction, and its relationship to power and emergence of liberalization in the Thai telecommunications.

1.3 Reasons for using Gramsci's notion of Hegemony

The chief attractions of using Gramsci lie along two dimensions. First, his work provides an ontological and epistemological foundation upon which to construct a 'non-deterministic yet structurally grounded explanation of change' (Germain and Kenny, 1998:5). By insisting on the transformative capacity of human beings, this social ontology entails 'a more empowering self-understanding in which humans are actively self-constitutive in the process of consciously reconstructing their internal relations with society and nature' (Gill, 1993:24).

Secondly, it employs methodology where the Italian school has broadly adopted as an innovative reading of historical materialism in conjunction with a flexible and ultimately historical understanding of social class, institutions and the power of ideas (Cox, with Timothy Sinclair, 1996:29-30, 51-3, 65-6 and 91-7). This methodology underpins a reading of social relations in the way that the Gramscian concepts of hegemony, historic bloc and civil society have been applied. For example, Cox suggests that 'an historic bloc is a dialectical concept in the sense that its interacting elements create a larger unity', while Murphy (1994) argues that 'a social order must be looked at in different ways in order to be understood completely'.

In this sense it provides an alternative set of analytical tools capable of assessing the extent to which any social order can be defined as 'hegemonic', hence to look beyond the state. For example, Murphy (1994: 31) argues that for Gramsci civil society is 'the political space and collective institutions in which and through which individuals form political identities... It is the realm of voluntary associations, of the norms and practices which make them possible, and of the collective identities they form, the realm where 'I' becomes 'we' '.

The neo-Gramscians see this concept of civil society as corresponding most closely to the practices and values fostered by public and private transnational institutions, which are in turn based upon the progressive transnationalization of dominant social forces (Gill, 1990:46-56). In other words, Germain and Kenny (1998: 7) argue that the neo-Gramscians adopt a broad historical materialist framework to examine the structural organization of world order, and focus upon the emerging terrain of global civil society as the place where the struggle for hegemony is now occurring.

2. Applying the Concept

There are two concepts: civil society and hegemony that are usually utilized in IR literature. In recent IR literature, neo-Gramscians value Gramsci's concept of civil society in its connections with mechanisms and ideologies of consent that operate on a global basis. A Gramscian approach illuminates not only the constitutive role of neo-liberal ideology in the construction of global hegemony; it also specifies the terrain over which this ideological contest is now being fought. Germain and Kenny (1998: 14) conclude that 'identifying the terrain of global civil society is conceptually important for the neo-Gramscians precisely because they consider it to be the key social formation through which power is exercised today'.

In Gramsci's view, civil society consists of the formal and informal networks, institutions and cultural practices, which mediate between the individual and the state: 'the ensemble of organisms commonly called "private"' (Gramsci, 1979:12). In the modern period, this terrain of mediation has become distinguished by its national character and history. Such a national character, for example, is reflected in Gramsci's consideration of the origin of 'common sense', and especially its links to religion (Gramsci, 1979:419-25). Hence the link between hegemony and consent runs directly through the terrain of civil society. In this sense, Cox suggests that 'the hegemonic concept of world order is founded not only upon the regulation of inter-state conflict but also upon a globally-conceived civil society, i.e. a mode of production of global extent which brings about links among social classes of the countries encompassed by it' (Cox, 1983:171).

Many Gramscian scholars approach his concept of civil society by highlighting this relationship. For example, Sassoon (1995) assesses the complexity and historical specificity of state-society relations in Gramsci's work. She concluded that Gramsci's notion of civil society gains meaning only within the specific context of the expansion of the Twentieth-century State. She analyzed that the power of European states after the First World War lay in their capacity to organize their societies, especially the way in which they secured their 'economic structure and political consent in an historically unprecedented way in order to wage war' (1995:70). Posing a clear distinction between civil and political society would hinder this analysis of the complex network of ties that bound individual to states. As Sassoon (1995:72) puts it,

...effective political power in the modern world...was not a one-way process of political management. Nor could it be understood without an adequate comprehension of the nature of civil society in the concrete because civil society in its nationally and historically differentiated institutional forms and contents conditioned state power and was inevitably conditioned in turn.

2.1 The link between the state (political society) and civil society

In reality Gramsci recognized an interaction between the two spheres. For example, Femia (1987:27) argues that the state frames in advance an appropriate public opinion when it wants to initiate an unpopular action or policy. That is, it organizes and centralizes certain elements of civil society. In this connection, Gramsci discusses the manipulative potential of radio and the yellow press, which may or may not have direct ties with the government (Femia, 1987:27). Gramsci argued that governments could often mobilize the support of the mass media and other ideological instruments. This is because the various elites, political or otherwise, share similar world-views and life-styles. Moreover, the institutions of civil society, whether or not they are directly controlled by the state, must operate within a legal framework of rules and regulations (Femia, 1987). Indeed, Gramscian recognized the tendency towards increasing state intervention in civil society (Femia, 1987:28).

Moreover, Gramsci indicated the functions of the two moments of the superstructure overlap to some extent. In liberal democracy, for instance, political society exercises a limited hegemony role in two ways. First, they create a façade of freedom and popular control. Secondly, they educate men to accept the status quo willingly. Femia (1987: 28) argued: ‘thus certain hegemonic institutions of civil society, such as political parties are transmuted, in specific historical situations and periods, into constituent components of the state apparatus. And all organs of civil society coerce those non-conformists and rebels who come under their particular jurisdictions’.

Thus in Gramsci’s definition,

State = political society + civil society, that is hegemony armoured by coercion.

State in the integral sense = dictatorship + hegemony

In this sense the state is the entire complex of political and theoretical activity that allows the ruling class to justify and maintain their domination as well as to succeed in obtaining the active consent of the government.

Recognizing such an integral relationship helps to account for the explanatory power of Gramsci’s notion of hegemony. It leads us to look beyond the state- and economy-centred analyses to bind together state and society organically.

However, such an integral concept of state/society leads to the question of ‘How are we render civil society as the domain where the national ‘I’ becomes the global or international ‘we’? (Murphy, 1994). In other words, how ‘I-local’ and ‘we-global’ interact? Among neo-Gramscians, the work of

Robert Cox addresses this issue most directly (Germain and Kenny, 1998:16). Cox (1987:245-53) sees an emerging international structure of political authority, the 'internationalizing of the state', to be the counterpart to the internationalizing of production, a development associated with a globally conceived civil society. This incipient international state structure has at its heart the central governmental agencies of the most important industrialized and industrializing economies, together with key multilateral agencies such as the international Monetary Fund, the Bank for International Settlements, the Trilateral Commission and the G-7 secretariat.

The power of the 'international' state in Cox's sense derives primarily from the *ideological consensus* within which these institutions operate. It provides a coherent institutional form that, despite many internal conflicts and disagreements, speaks with one voice on the critical questions facing the contemporary world. Gill (1993: 5-8) argues that 'we can speak of the 'international' state, in other words, not because there is some kind of supranational entity in the making, but because national state structures are increasingly adopting the same broad ideological discourse, deepening the extent of their regulatory and policy coordination, and investing significant amounts of resources and authority in multilateral institutions'.

Cox (1987) developed and presented Gramsci's thought to the study of the global political economy in his analysis of the role of social forces in the making of history. Cox's approach aims to identify the potential for structural transformation and the determination of breaking points between successive structures which would, it is assumed enable an organized working class to advance the struggle for the overthrow of capitalism. His framework is oriented to a study of strategic consciousness and ideology formation at the ruling class level linking such formation to the historical cycle of successive world orders.

Cox's framework affords a structural concept of power wherein the constitution of a stable order is the result of a manufactured compatibility between dominant ideas, institutions and material capabilities (see Figure 1 in Chapter 1). Cox theorizes that all structure is the outcome of interaction between these three variables (ideas, institutions and material capabilities) each of which possesses a real autonomy – 'no determinism need be assumed' (Cox, 1986:218). Hegemonic structures are distinguished from non-hegemonic structures in terms that the hegemonic institutions do not predominantly resort to the use of force because the subordinates accept the prevailing power relation as legitimate. This legitimacy is strengthened if the hegemons make concessions to the subordinates and express their leadership in terms of a universal general interest.

At the international level, Cox's 'pattern variables' are translated into the historical study of social forces generated by the production process, forms of state derived from state/society complexes and world orders – each level interrelated but with no universal causality assumed. Historical phases are

thereby identified when a coherent fit has occurred between material power, the development of collective world images and the administration of an order through a set of institutions claiming universality. There are hegemonic phases – periods of relative stability where ‘states advance and protect the interests of particular national social classes’ (Cox, 1987:8) and non-hegemonic phases where no single power can establish its legitimacy resulting in international instability.

Initially Cox indicates that world hegemony is an outward expansion of internal national hegemony established by a dominant social class. Cox uses the ‘world hegemony’ in an interaction of a social structure, and an economic structure, and a political structure. ‘It cannot simply be one of these things but must be all three’ (Cox, 1987:171-2). In this sense, world hegemony is an order in which a dominant mode of production, culture and system of social institutions penetrates all countries within an orbit exploiting subordinate modes of production.

Based on Cox’s argument, the change of global structure and world order, thus, is considered in terms of ‘the dynamics and dialectics of their normative (ethical, ideological, practical) as well as their material dimension’ (Gill and Law, 1989). The emergence of a hegemonic order is therefore the formation of a ‘historic bloc’ organized around a set of hegemonic ideas – a ‘dominant ideology’ –, which temporarily forms the basis for an alliance between social classes. For Neo-Gramscians the state is an extended state comprises of the machinery of government and aspects of ‘civil society’ such as press, mass culture, which stabilize existing power relations. The emergence of a new historic bloc is the result of consciously planned struggle of all existing power relations. Employing this ‘extended concept of the state’ –machinery of coercion plus machinery for the organization of consent (Cox, 1987: 409), it is argued that a new historic bloc is established through the articulation of ‘persuasive ideas and argument which build on and catalyze its political networks and organizations’ (Gill and Law, 1989: 476).

Regarding to Cox, a hegemonic (world) order therefore emerges out of the successful formation of an (international) historic bloc of social forces, which in turn is found upon the articulation of a dominant ideology accepted by subordinated classes. This (international) historic bloc is not simply a cross-national alliance of capitalist interests. Its success rests on the incorporation and persuasion of the working class to accept as legitimate a new institutional context and its associated values (Cox, 1981).

Seen from this perspective the implementation of the liberalization structure of accumulation rested on the articulation of the ideas of the corporate liberal historic bloc, which incorporated fractions of capital, the state and labour movement representatives in an alliance. Similarly, Gill and Law (1989: 489) argue that the implementation of a new ‘regime of accumulation’ depends ultimately on the attainment of a new (transnational) hegemony organized around the capital domination, free

enterprise and open markets, inasmuch as 'the broad contours of any new regime of accumulation will be partly shaped by the ideological climate at the national and international levels'.

Yet, this does not undermine the notion of nation state. Cox (1987) argues that the notion of an 'international' state acknowledges that national states remain the only political authorities capable of taking public decisions and acting with governmental authority in world politics today. This recognition implies that all states now take decisions within a context of increasingly integrated global markets. Cox (1987) maintains that states are somehow autonomous in their decision-making capacity, free from the influence of a myriad of private, market-based decisions. It reflects the legal reality of sovereignty as practiced by existing forms of political authority. It remains the national state which takes and executes decisions, whether between states or within multilateral institutions such as the IMF.

The global civil society is important in the world hegemony. Cox (1983: 171) argues that this is because a mode of production extended to link social classes of the countries it globally encompassed. The neo-Gramscians, thus, look to elements of global civil society as the chief agents of conformity to world hegemony. For example, Cox (1987) mentions international finance while Gill (1993) cites internationally mobile capital. Agnew and Corbridge (1995) refer to the transnational networks representative of international production and finance, while van der Pijl (1984) credits internally mobile class fractions. All explain that these forms of agency arise in relation to either the operation of the world market or the social relations of the nation-state. Cox's notion of 'international state' thus is consistent with Gramsci's notion of the extended state in the sense that the internationalizing of the state is a fluid process of consensus formation (Germain and Kenny, 1998:17).

The 'civil society' about which Gramsci wrote was the voluntary realm between the economy and the state (Murphy, 1998:421). In Italy, 'There existed a clear disjunction between the state (legality) and civil society (reality) [sic]... This same civil society was something shapeless and chaotic and remained so for many decades; it was therefore possible for the state to dominate it, overcoming each time the contradictions that presented themselves in a sporadic, localized form, without any national nexus' (Gramsci, 1971 cited in Murphy, 1998:421). In Murphy's view (1998: 421), the institutions of civil society had become the 'less visible sources of elite power and mass quiescence'. Gramsci certainly saw civil society as a site of the consolidation of power in twentieth-century states even as he continued to view civil society as the space in which the collective being of a people arose. In other words, he saw that a coercive power of state together with the elite ability to permeate civil society is the source of the state consolidation.

Gramsci hypothesized that forces at the base of capitalist economies might be working to aid that American hegemonic project, or liberalism. He said,

The world market... would come to be made up of a series of markets-no longer national but international (inter-state)-which have organized within their borders a certain stability of economic activities, and which enter into relations on the basis of the same system. This system would be more mindful of politics than of economics, in the sense that within the economic field it would attach greater importance to finished goods industries (Gramsci, 1971 cited in Murphy, 1998:422).

Thus the existence of international or global civil society during the existence of the globalization of economic forces does not necessarily mean that the primary site of progressive political action has somehow now become 'global' (Cox, 1996). The 'internationalization of the state' rather refers to the issue of current national governments 'creating institutional imperatives that force national societies to respond to the logic of capitalism operating at a more global level' (Murphy, 1998:423). This also implies that the relationship is not merely the one-way imposition of a dominant (global) culture upon a subordinate (local) one, but a dialogue or negotiation. In Gramsci's words,

Every relationship of 'hegemony' is necessarily an educative relationship and occurs not only within a nation, between various forces of which the national is composed, but in the international and worldwide field, between complexes of national and continental civilization'.

2.2 Hegemony

Cox suggests ways in which the historical bloc of the leading state functions in a double sense as the principal elite domestically and internationally. This leads the study to question: can Gramsci's notion of hegemony, especially where it rests on the developments within an equation of state = political society + civil society, sustain its explanatory power in a developing country such as Thailand? Generally, hegemony is achieved within the sphere of civil society by consensual means. In building consent, a leading class sheds its immediate economic-corporate consciousness and universalizes its norms and values, thereby establishing a political and ethical harmony between dominant and subordinate groups. That is a dominant class rules effectively with and over, not against, subaltern classes (Germain and Kenny, 1998). As Gramsci (1971: 168) stated:

An appropriate political initiative is always necessary to liberate the economic thrust from the dead weight of traditional policies – i.e. to change the political direction of certain forces which have to be absorbed if a new homogeneous politico-economic historical bloc, without internal contradictions is to be

successfully formed. Force ... can be employed against enemies but not against a part of one's own side which one wishes rapidly to assimilate and whose 'good will' and enthusiasm one needs.

Consent is defined as a psychological state. It involves an acceptance of the socio-political order or of certain vital aspects of that order (Femia, 1987:37). Thus a hegemonic order could be found either in liberal or totalitarian institutions and practices (Femia, 1987). Femia (1987) suggests that one can consent because of five reasons. First, one consents because of fear. When people conform because of fear, they are afraid of the consequences of non-conformity that could bring them punitive deprivations or infliction such as the loss of honor or self-esteem. It is a 'fear of sanctions' (Femia, 1987:38-40). Secondly, one could consent because one habitually pursues certain goals in certain ways in response to external stimuli. In this sense one consents not because one values them but because one has not have opportunity to reject them yet. It is one's 'habit' (ibid.). Thirdly, consent could arise from 'indifference' (ibid.). In this sense, one consciously attaches to, or agrees with, certain core elements of the society. This type of behaviour links to the concept of 'legitimacy', in that one believes that the demands for conformity are more or less justified and proper. Fourthly, 'acquiescence' (ibid.) for maintenance of social cohesion can create consent. In this sense Gramsci concept of hegemony embodied a hypothesis that within a stable social order, there must be a compelling agreement that can counteract disruptive forces arising from conflicting interests. Femia (1987: 39) argues that this agreement must relate to specific objects: - persons, beliefs, values, institutions, etc. but not includes intense bonds of affection and loyalty between members of family or kinship. Finally, consent can come through voluntary agreement or pragmatic acceptance. It is a 'positive attachment' (ibid.) in the sense that one conforms because it is convenient, because this is the way the society accepts and there is no realistic alternative, which is necessary for achieving one's own goals, including wealth, material security, power, prestige, social acceptance, love, etc. In sum, consent comes from (1) fear (2) habit (3) indifference (4) acquiescence (5) positive attachment.

Gramsci implied that consent in a hegemony situation takes the form of active commitment, based on a deeply held view that the superior position of the ruling group is legitimate. For example, Gramsci characterized hegemony as the 'spontaneous consent given by the great masses of the population to the general direction imposed on social life by the dominant group because of its position and function in the world of production' (Femia, 1987:42). He suggested that those who are consenting must somehow be truly convinced that the interests of the dominant group are those of society at large, that the hegemonic group stands for a proper social order in which all men are justly looked after: 'The fact of hegemony undoubtedly presupposes that account be taken of the interests... of the groups over which hegemony is to be exercised... that the leading group make sacrifices of an economic corporate kind' (Femia, 1987:42). Thus Giuseppe claimed that consent is an 'expression... of intellectual and moral direction through which the masses feel permanently tied

to the ideology and political leadership of the State as the expression of their beliefs and aspirations' (Femia, 1987:42). However, Femia (ibid.) argued that it is difficult to determine, for example, where compliance originating in voluntary agreement ends and where compliance deriving from constraint begins. Thus society stability will depend in large part on the depth of societal consensus.

Gramsci focused on the superficiality of consent within the capitalist system. He paid attention to the frequent incompatibility between a man's conscious thoughts and the unconscious values implicit in his action: '...is it not often the case that there is a contradiction between one's intellectual affirmation and one's mode of conduct? Which then is the real conception of the world: that logically affirmed as an intellectual act? Or that which emerges from the real activity of each man, which is implicit in his behaviour?' (Femia, 1987:43). Gramsci went on to answer this question, by suggesting a distinction between 'true' and 'false' consciousness:

...this contrast between thought and action... cannot but be the expression of profounder contrasts of a social historical order. It signifies that the relevant social group [the working class] has its own conception of the world, even if only embryonic: a conception, which manifests itself in action, but occasionally, by fits and starts – when, that is, the group is acting as an organic totality. But this same group has, for reasons of submission and intellectual subordination, adopted a conception which is not its own but is borrowed from another group... (Femia, 1987:43).

Consent, then, becomes passive. This man lacks the means with which to formulate the radical alternative 'implicit in his activity'. On one hand, his education is limited. On the other, all the institutional mechanisms through which perception is shaped – schools, the Church, political parties, mass media, and trade unions – in one way or another play into the hands of the ruling groups. The very framework for his analysis of the existing system is fixed by the dominant ideology (Femia, 1987:44)

Previously germinated ideologies become 'party', come into confrontation and conflict, until only one of them, or at least a single combination of them tends to prevail, to gain the upper hand, to propagate itself throughout society – bringing about not only a unison of economic and political aims but also intellectual and moral unity, posing all the questions around which the struggle rages not on a corporate but on a 'universal' plane, and thus creating the hegemony of a fundamental social group [the proletariat] over a series of subordinate groups (Gramsci, 1971: 181-2).

Gramsci stated that the supremacy of a social group or class manifests itself in two different ways: 'domination' or coercion and 'intellectual and moral leadership' (Femia, 1987:24). This latter type of supremacy constitutes hegemony (Femia, 1987:24). Social control, in other words, takes two basic forms: besides influencing behaviour and choice externally, through rewards and punishments, it also affects them internally, by moulding personal convictions into a replica of prevailing norms. Such 'internal control' is based on hegemony, which refers to an order in which one concept of reality is dominant, informing with its spirit all modes of thought and behaviour (Femia, 1987: 24).

The methodological criterion on which our own study must be based is the following: that the supremacy of a social group manifests itself in two ways, as 'domination' and as 'intellectual and moral leadership'. A social group dominates antagonistic groups, which it tends to 'liquidate' or to subjugate perhaps even by armed force: it leads kindred and allied groups (Gramsci, 1971: 57).

In this sense hegemony is the predominant obtained by consent rather than force of one class or group over other classes. And whereas 'domination' is realized, essentially, through the coercive machinery of the state, 'intellectual and moral leadership' is objected in, and mainly exercised through, 'civil society', the ensemble of educational, religious and association institutions. Hegemony is, thus, attained through the myriad ways in which the institutions of civil society operate to shape, directly or indirectly, the cognitive and affective structures whereby men perceive and evaluate problematic social reality. Gramsci thus viewed the consensual aspect as a unity of the moments of consent plus coercion as particularly important.

Gramsci does use 'hegemony' as the equivalent of intellectual and moral leadership plus political domination: 'the 'normal' exercise of hegemony on the now classical terrain of the parliamentary regime is characterized by the combination of force and consent which balance each other in various ways' (Femia, 1987:25). Thus Gruppi claimed that: 'for Gramsci the concept of hegemony normally includes those of 'leadership' and 'domination' together (Femia, 1987:25).

Gitlin (1980:253) considers this in terms of the mechanisms of coercion and those of hegemony, he argues that,

The hold of hegemony rests on elements of coercion, just as the force of coercion over the dominated, both presupposes and reinforces elements in hegemony, in any given society hegemony and coercion are interwoven.... Hegemony is in the end a process that is entered into by both dominated and dominant.

The recognition of the role of leadership in the hegemonic notion implies that hegemonic social control does not emerge spontaneously but has to be actively created. If a social group is to be successful in its aims, it must exercise leadership before the social upheaval erupts. Having gained power, the new historic bloc must continue to build hegemony both within itself and with other classes or social groups. In other words, the function of hegemonic leadership does not disappear but changes its character.

A social group can and indeed must already exercise 'leadership' before winning governmental power (this indeed is one of the principal conditions for the winning of such power); it subsequently becomes dominant when it exercises power, but even if it holds it firmly in its grasp it must continue to 'lead' as well (Gramsci, 1971: 58).

Milliband supports Gramsci's suggestion that hegemony is dynamic and has to be kept balance. He argues there were many situations happened since Gramsci wrote, not least in Italy itself, to erode the hegemony which dominant classes exercise in their societies. But that erosion has,

Obviously nowhere proceeded for enough, up to the present, to constitute a major political threat to the existing order (Milliband, 1969:163).

However, Gramsci's interest does not reside solely in a concern with autonomy, but is based also in his concern with heteronomy, that is with the limits being placed on the choices of men, by their social, economic, cultural and political environment.

Gramsci's attention to a philosophy of language is rooted in the material base of society, upon which his consent of hegemony is founded. That is the real relation of a class society, acknowledging Marx's emphasis not only on the forces of production, but also on the relations of production. That is consciousness should be understood in terms of its material conditions. Hence,

The ideas of the ruling class are in every epoch the ruling ideas. The reason for this was that the class, which is the ruling material force in society, is at the same time its ruling intellectual force. The class, which has the means of material production at its disposal, has control at the same time over the means of mental production, so that thereby, generally speaking, the ideas of those who lack the means of mental production are subject to it (Marx and Engels, 1965:39 cited in Newbold, 1988: 22).

This is the basic notion behind Gramsci's concept of hegemony, although he does distance himself from the simple ruling class/ruling idea dichotomy. The relationship in Gramsci is active and changing, it is the complex interlocking of economic, political and cultural forces in a situation of domination and subordination.

Gramsci suggested three kinds of hegemony. The first one is integral hegemony. The society would exhibit a substantial degree of 'moral and intellectual unity', issuing in a relationship between rulers and ruled. This situation can happen only in those historical periods when well organized, widespread opposition is absent or discredited and when the ruling class performs a progressive function in the productive process, when it 'really causes the entire society to move forward, not merely satisfying its own existential requirements but continuously enlarging its control framework for the conquest of ever new spheres of economic and productive activity' (Femia, 1987:46). An example for this integral hegemony is the Jacobins's 'bourgeois state' of France.

Gramsci claimed, in the modern capitalist state, bourgeois economic dominance is no longer capable of representing everyone's interest 'as soon as the dominant group has exhausted its function, the ideological bloc tends to decay' (Femia, 1987:47). Thus conflict breaks the surface. In spite of many achieving, the needs, inclinations and mentality of the masses are not truly in harmony with the dominant ideas. Thus cultural and political integration is fragile or (2) decadent hegemony.

The third type of hegemony rests on the ideological unity of the economic, political and intellectual elites along with 'aversion to any intervention of the popular masses in State life' (Femia, 1987:47). The dominant economic groups do not 'accord their interests and aspirations with the interests and aspirations of other classes'. Rather, they maintain their rule through 'transformismo' the practice of incorporating the leaders –cultural, political, societal and economic of potentially hostile groups into the elite network, the result being 'the formation of an even broader ruling class'. For example, flattery to offers of employment in administration to the granting of substantial power in decision-making. If other classes, especially the masses, are not woven into ruling classes, the ruling class exercised 'the function of 'domination' and not 'leadership', hence 'dictatorship without hegemony' (Femia, 1987:48).

In this case 'hegemony activity' existed, but it was confined to the upper and middle classes, and as such 'become merely an aspect of the function of domination'. This leads to 'passive revolution', a process of modernization presided over by the established elites, who used the 'revolutionary' changes to maintain their supremacy and consolidate the extant order.

Because popular leaders were assimilated into the system, and because the masses themselves did not process the cultural sophistication to fit their grievances into a coherent framework, they were

incapable of being directed into reformist or revolutionary channels, and doomed to total failure (Femia, 1987:48). Thus they were subjected to the 'intellectual and moral hegemony' of the ruling groups, but it was an exceedingly weak hegemony, marked by a low level of integration (Femia, 1987:49). This concept of integration lies at the heart of hegemony.

If the state absorbs other classes, poses itself as an organism in continuous movement, capable of absorbing the entire society, assimilating it to its own cultural and economic level. The entire function of the state has been transformed. The state became educator and has ability to transcend the particulars of the 'economic-corporate phase' enjoying the 'consent of the governed, however superficial this consent may be (Femia, 1987:50).

Moreover

2.3 Historic Bloc

Gramsci refers to historic bloc as state and society together constituted into a solid structure and the revolution implied the development within it of another structure strong enough to replace the first. Whether dominant or emergent, such a structure is what Gramsci called an historic bloc (Cox, 1993:56). The historic bloc had a revolutionary orientation through its stress on the unity and coherence of socio-political orders. It was an intellectual defence against co-operation by 'transformismo'.

The historic bloc is a dialectical concept in the sense that its interacting elements create a larger unity. Gramsci expressed these interacting elements sometimes as the subjective and the objective sometimes as superstructure and structure.

Structures and superstructures form an 'historic bloc'. That is to say the complex contradictory and discordant ensemble of the superstructures is the reflection of the ensemble of the social relations of production. (Gramsci, 1971:366)

The relationships of the political, ethical and ideological spheres of activity with the economic sphere are that ideas and material conditions are always bound together, mutually influencing one another, and not reducible one to the other. Ideas have to be understood in relation to material circumstances. Material circumstances include both the social relations and the physical means of production. Superstructures of ideology and political organization shape the development of both aspects of production and are shaped by them (Cox, 1993:56).

An historic bloc cannot exist without a hegemonic social class. Where the hegemonic class is the dominant class in a country or social formation, the state (in Gramsci's enlarged concept) maintain cohesion and identity within the bloc through the propagation of a common culture. A new bloc is formed when a subordinate class establishes its hegemony over other subordinate groups. This process requires intensive dialogue between leaders and followers within the would-be hegemonic class. Because a war of position strategy was required, the role of party should be to lead, intensify and develop dialogue within the working class and between the working class and other subordinate classes, which could be brought into alliance with it (Cox, 1993:57).

Intellectual parties play a key role in building of an historic bloc. Gramsci (1971) saw them as organically connected with a social class. They perform the function of developing and sustaining the mental images, technologies and organizations, which bind together the members of class and of an historic bloc into a common identity. Bourgeois intellectuals did this for a whole society in which bourgeoisie was hegemonic. The organic intellectuals of the working class would perform a similar role in the creation of a new historic bloc under working class hegemony within that society. To do this they would have to evolve a clearly distinctive culture, organization and technique and do so in constant interaction with the members of the emergent block. Every one, for Gramsci, is in some part an intellectual, although only some perform full-time the social function of an intellectual. In this task, the party was, in his conception, a 'collective intellectual' (Cox, 1993:57).

Each man, outside his professional activity, carries on some form of intellectual activity, that is, he is a 'philosopher', an artist, a man of taste, he participates in a particular conception of the world, has a conscious line of moral conduct and therefore contributes to sustain a conception of the world or to modify it, that is, to bring into being new modes of thought (Gramsci, 1971: 9).

In the movement towards hegemony and the creation of an historic bloc, Gramsci distinguished three levels of consciousness: the economico-corporative, which is aware of the specific interests of a particular group; the solitary or class consciousness, which extends to a whole social class but remains at a purely economic level; and the hegemonic, which brings the interests of the leading class into harmony with those of subordinate classes and incorporates these other interests into an ideology expressed in universal terms (Gramsci, 1971:180-95 cited in Cox, 1993:57).

The movement towards hegemony is a 'passage from the structure to the sphere of the complex superstructures', by which Gramsci means passing from the specific interests of a group or class to the building of institutions and elaboration of ideologies. If they reflect a hegemony, these institutions and ideologies will be universal in form i.e., they will not appear as those of a particular class, and will give some satisfaction to the subordinate groups while not undermining the leadership

or vital interests of the hegemonic class (Cox, 1993:57-58). This can be applied to the telecommunications reform in a slightly different context, in a sense that:

‘The national interest’ is the type of abstract idea, which orients people’s thinking in particular social groups as common to the whole society – even though a fundamental conflict of interests must exist. Such powerful abstractions are a modern parallel to the fetish-objects worshipped by ‘primitive’ peoples (Hyman, 1984: 155).

Through hegemony and consent, Gramsci works out the ways in which cultural and ideological forms are historically negotiated between dominant and subordinate groups. The negotiation process within hegemony implies the dynamic of each society and this is what Gramsci emphasizes. The hegemony or dominant ideas current in society at any one time are not fixed and immobile and do not express or reflect one class, but over time, and a long period of history, have developed and are articulated to it through assimilation, absorption and active intervention by the dominant class alliance. Ideology in the notion of hegemony does not descend from above but is a result of complex negotiations between the various groups and on specific sites. Legitimacy is not a static state of affairs, but has to be constantly won and secured against counter-tendencies in the social formation.

Hegemony, thus, cannot be seen as simply class rule (domination), it requires to some degree the consent of the subordinate classes, which in turn has to be won and secured. Moreover, the exercise of hegemony is neither total nor static. Its scope and forms can be varied from society to society. It also cannot be sustained by a single ruling class but rather requires an alliance of ruling classes or in his term an historic bloc. Therefore its notion does not imply only the struggle of interests between classes but also among their allied interests such as between print industry and broadcasting industry.

Gramsci advanced from the classical Marxists is his introduction of any form of domination outside the sphere of production, which Marxist orthodoxy emphasizes. In other words Gramsci recognizes all pervasive forms of ideological control and manipulation that seemed to perpetuate all repressive structures.

This is what Gramsci is emphasizing. The hegemony or dominant ideas current in society at any one time are not fixed and immobile and do not express or reflect one class, but over time, and a long period of history, have developed and are articulated to it through assimilation, absorption and active intervention by the dominant class alliance. Ideology does not, in Gramsci’s view of hegemony, descend from above, nor can it be seen to emanate from a lower stratum, but it is the result of complex negotiations between various groups and on specific sites. Robert Cox (1981) illustrates this in his analysis of hegemony by using it to explain the relationship between capital, power states and

periphery. He saw how consent was organized through the hegemonic practices both of the allied factions constituting the dominant power block such as international institutions and in their relations to the periphery.

In the case of the US, the growth indicators of material power during the inter-war period were insufficient predictors of a new hegemony. It was necessary that US leaders should come to see themselves in ideological terms as the necessary guarantors of a new world order. The Roosevelt era made this transition, including both the conscious rejection of the old hegemony e.g. by torpedoing the world economic conference in 1933 and abandoning the gold standard, and the gradual incorporation of New Deal principles into the ideological basis of the new world order. ... The Pax American was hegemonic because it commanded a wide measure of consent among states outside the Soviet sphere and was able to provide sufficient benefits to the associated and subordinate elements in order to maintain acquiescence (Cox, 1981: 144).

The post-war hegemony was made strong by institutionalization. The International Monetary Fund and the World Bank were set up as machinery of surveillance. These institutions incorporated mechanisms to supervise the application of the world market system's norms and to make financial assistance effectively conditional upon reasonable evidence of intent to live up to the norms. (Cox, 1981; Mohammadi, 1997)

State structures appropriate to this process of policy harmonization are not limited to advanced capitalist core countries. There are a large number of peripheral countries joined a coalition of these forces, usually as a condition for debt renewal such as Turkey, Peru and Zaire (Cox, 1981: 146).

Legitimacy though for Gramsci is not a static state of affairs, but has to be constantly won and secured against counter-tendencies in the social formation.

Hall indicates that.

The questions of legitimacy and consent are crucial for Gramsci's concept of 'hegemony', since it is through them that the dominant classes can use the field of ideological positively to *construct* hegemony (the educative and ethical functions); but, also because it is through them that the dominant system comes to win a certain *acceptance* from the dominated classes' (Hall 1977:338, italic origin).

The complexity of hegemonic control must be emphasized. Hegemony cannot be seen as simply class rule, for that would be pure domination. It requires to some degree the consent of the subordinate classes, which in turn has to be won and secured. Hegemony prevails when a ruling class alliance not only rules or direct, but also lead. It must be seen as false and unfaithful to Gramsci's usage of the term to refer to hegemony as the unending and unproblematic exercise of class power, with permanent and unending incorporation of the subordinate class. Stuart Hall et al (1978:68) suggest that,

For Gramsci there is no state or moment of hegemony which is not contested, nor which is not the result of the ruling class alliance mastering the class struggle. There is no hegemony, which does not have to be won, secured and constantly defended.

Gramsci never saw the exercise of hegemony being total or static. Its scope and forms, and thus any specific import that might pertain, varied greatly from society to society and as such was always of uncertain proportions. A single ruling class cannot sustain even hegemony itself. It requires an alliance of ruling class factions, which he calls an historic bloc. Thus the contents of hegemony will be determined in part by which class faction makes up an hegemonic bloc, and thus a synthesis of their allied interests have to be taken into account. Indeed the struggle within the ruling class faction, such as between landed interest and commercial interests, need to be considered also.

Gramsci does emphasize the overpowering importance of the superstructure for the purpose of social integration. He also defines the complex nature of hegemony as economic, ethical and political. Thus hegemony presupposes that account be taken of the interest and the tendencies of the group over which hegemony is to be exercised and that a certain compromise balance of forces should be formed. In other words,

The leading group should make sacrifices of an economic-corporate kind. But there is also no doubt that sacrifice and such a compromise cannot touch the essential. For though hegemony is ethical-political it must also be economic (Gramsci, 1971: 161).

Hegemony in the first instance is seen as dependent on the 'decisive nucleus of economic activity'. With his reference to 'ethico-political hegemony', Gramsci indicated the terms breadth, thus the hegemony of the ruling bloc or class alliance is seen not only at the political level, but also affecting every aspect of social life and thought. In this sense what Gramsci introduced was an understanding

of the subtle but all pervasive forms of ideological control and manipulation that seemed to perpetuate all repressive structures.

However, Gramsci's implied that the effectiveness of ideology underlying the notion of hegemony cannot be relied on. It is constantly vulnerable and constantly a site of struggle and conflict. Ideology cannot be viewed as unilaterally and unproblematically effective. Ideology has to be constantly created and redefined. Hegemony cannot be equated with Ideology as it is articulated through a combination of relations, economic, political and ideological. Hegemony for Gramsci includes the ideological but cannot be reduced to that level.

Ideology for Gramsci has an integrating effect, which is based on its ability to win the consent of the subordinate classes. This hegemonic quality of a worldview is manifested in the solidarity of popular belief, which has the energy of a material force. Ideology is not just a question of 'ideas' or of political beliefs; it is both more natural and more specific. Ideology is also a material force; it organizes human masses and creates the terrain. The general social structure and the individuals are brought together in this formulation in a complex relationship of dominance and subordination. In other words, for Gramsci, social being (material forces) determines social consciousness (Ideologies) in his belief that there is a constant and dialectical relationship between ideologies and material forces.

2.4 State, Power and Hegemony

To draw together the strands of the discussion so far, it can state that Gramsci redefines the notion of power, emphasizing above all the non-coercive consensual nature and aspects of dominant class alliance rule in modern capitalist Western industrial societies. He demonstrates the central role, which the superstructures, the state and civil associations and ideology play in securing and cementing societies. He shows how conformity is actively won and negotiated through leadership and consent.

It is this developing of a concept of power and power relations that is adopted by Robert Cox. Also crucial, for what is being discussed here, is that Cox's conception of the state is one in which its role is that of a stabilizer of the world capitalist economy.

Gramsci and Cox's conception of the state's role is complex and related to the long-term interest of the ruling class alliances. It works in conjunction with civil society, functioning to organize and diffuse the hegemonic worldview in the relationships between dominant and subordinate classes.

Gramsci highlights the role of the states' apparatus in organizing hegemony as,

Every state is ethical in as much as one of its most important functions is to raise the great mass of the population to a particular cultural and moral level, a level (or type) which corresponds to the needs of the productive forces for development and hence to the interests of the ruling classes. The School as a positive educative function and the courts as a repressive and a negative educative function are the most important state activities in this sense, but in reality a multitude of other so called private initiatives and activities tend to the same end – initiatives and activities which form the apparatus of the political and cultural hegemony of the ruling classes (Gramsci, 1971:258).

What is important for Gramsci is the relationship between the economy and the state and between the classes in capitalist society and the state. Each must be understood in relation to the other and in their relationship to dominant hegemony, but the state should not be reduced to either.

Hall suggests that the state has a hegemonic function, that is,

The state is required as a neutral and objective sphere, precisely in order that the long-term interests of capital can be represented as a general interest. It is through the relative neutrality of the state... that conflicts are settled to the profit of the ruling classes; but in ways, which because they appear as neutral and general, command the assent of the nation as a whole. It is by the displacement of class power through the neutral and independent structure of the state that the state comes to provide the critical function, for the dominant classes, of securing power and interests at the same time as it wins legitimacy and consent. The state in Gramsci's term is the organizer of hegemony (Hall, 1981:114-115).

It can be said that Gramsci redefines the whole notion of power, emphasizing the non-coercive consensual nature and aspects of dominant class alliance rule in modern capitalist Western industrial societies. He argued that the superstructure, the state and civil associations and ideology play interactively in order to secure and cement societies.

It is this development of the concept of power relation that can be put together with the work of Cox to understand the change in the role of the state during the telecommunications reform in Thailand and its relation to its wider context in capitalist society

It must be remembered that for Gramsci hegemony works in two directions, not simply in the relationship between dominant and subordinate classes, but also in the relationships between the dominant classes grouping or alliances. This is an essential function of hegemony and of crucial importance in this thesis for it is competing factions within these groups – academic, commercial, financial, corporate – whose interests as far as the restructuring of the Thai telecommunications and related issues and concerned are not always identical and can lead to conflict.

As has shown here hegemony is not an achieved state, but a continuing process. It provides a conceptual framework in which the all influences related to the issue can be understood. It is the conception of hegemony as leadership through consent and the form of historic bloc that is of crucial importance in this study. Hegemony can be seen as a collaboration of the social system as a whole, rather than direct domination of one class over another. This is reflected in the capacity to contain different interests and negotiation of different views to gain consensus. As will show in this thesis opposition views to bourgeois hegemony can emerge and are articulated and incorporated, not dominated and suppressed.

In this thesis we shall see the working of hegemonic ideology when the liberalization of telecommunications is first introduced. In this way hegemonic ideology face competing oppositional ideologies or in other words hegemonic ideology is adapting to changing historical conditions. The process is full of potential conflicts and oppositional views but is finalized in incorporation and thus legitimate hegemonic view.

The adoption of the liberalization order has gradually taken over from the previous regulation of monopoly by the state. Liberalization is also replacing a situation where the state acts to accommodate and favour capital, becoming an instrument for adjusting domestic policies as directed by the constraints of the global economy, whereby the state is steadily becoming the transmission belt from the global into national economic spheres. With the global economy increasingly characterised by the interpenetration of markets the state is itself forced to act increasingly as a market player, shaping policy to promote returns from market forces in a transnational setting (Cerny 1990:230).

This has pressured other countries to liberalize their own policies, as the current European Telecommunications Commissioner declared – so as to ‘release the forces of the market’ by eliminating existing state monopolies in telecommunications services and network infrastructure operations (Telecommunication Policy 19, No.5, 1995:381-390).

One of the most striking features of this, Watson, Flynn and Conwell (1999:260) feel

The need for greater coordination of microeconomic policies has become most visible in a trade context because globalization has transformed domestic laws and regulations into potential trade barriers. Modern companies need to integrate production processes and support services located in many countries into a unified production system, and require some uniformity in technologies, standards, business relationships, and support systems, all of which can be affected by government regulations and sectorial policies. Internationalization of production subjects production decisions to influence by domestic regulatory policy. Accordingly, convergence of domestic policies is therefore required on the grounds of practicality, economic efficiency and competitive fairness.

3. Gramsci, Cox and Telecommunications Reform in Thailand

Gramsci's notion of hegemony, adopted by Cox, provides an important basis from which to analyze the processes of social development and change, thus of telecommunications reform in Thailand. In Thailand, liberalization has become the dominant ideology and strategy for the telecommunications development during the past two decades. In view of this change, many crucial questions remain to be answered as to how liberalization has become so dominant, and why so many individuals continue to support it by participating in a system, which sometime seems to act against their own interests.

As has been shown here, the concept of hegemony and its extension provide a conceptual framework in which the dialectics of containment and resistance can be understood. It is in this sense that the term hegemony is utilized in this study. Hegemony is not taken as static domination. Hegemony can be seen as a collaboration of the social system as a whole, rather than direct domination of one class over another or one country over another. This is reflected in the capacity for resistance and for the rise and incorporation of oppositional views. Thus Bocoock, in his study on hegemony, suggests that the developing of a new hegemonic outlook amongst an alliance of progressive radical groups could happen if.

This form of alliance could aim to include manual workers, the women movement, and gay people's organization.... As well as people involved in occupations.... Such as alliance would form the basis for developing a new hegemonic outlook (Bocoock, 1986:12-13).

This does demonstrate that in Gramsci's notion of hegemony, the role of resistance and of oppositional views are considered. The concept of hegemony has to be seen as a substitution for that of ideological domination, this is crucially what Abercrombie et al (1980) fail to address. A bourgeois hegemony is secured not through the obliteration of working class culture, or domination over it, but via its articulation to bourgeois culture. Thus and crucially to this study, oppositional views to the existing hegemony can emerge and are articulated and incorporated, not dominated and suppressed.

It is also the conception of hegemony as leadership through consent that is of crucial importance in this study. For Gramsci and Cox, hegemony is seen as working in two directions, not simply in the relationship between dominant and subordinate classes, but also in the relationships between the dominant class groupings or alliances. Hegemony as we have seen is moving equilibrium (Newbold, 1988: 34). This is an essential function of hegemony and of crucial importance in this study for it is competing factions within these groups – industrial, commercial, corporate – whose interests as far as telecommunications liberalization is concerned are not always identical and can lead to conflict.

In this case, Cox emphasized the state in adapting to the new role. The state performs crucial roles by providing social forces, the rights of property and contracts; by dismantling obstructions to markets, as well as by ensuring economic certainty. Hence, the state is acting as a 'mediator' between the international and the domestic.

This argument is similar to that of Gitlin (1982). He argues that in hegemonic society certain elements of submerged oppositional culture can emerge in a 'domesticated' form. He says,

Popular culture absorbs oppositional ideology, adapts it to the contours of the core of hegemonic principles, and domesticates it (Gitlin, 1982:207).

As the next chapter will show, this notion of the state role in maintaining existing hegemony is important here, for it is there we follow Cox's notion of the state as 'mediator'. This study sees it as having the function of channeling in isolation opposition towards the liberalization of the telecommunications industry.

What concerns this study here is the dialectic of state intervention and hegemonic incorporation. The key is the inculcating of potentially disruptive social conflicts and oppositional views, into the hegemonic field of view and thus legitimizing them.

CHAPTER THREE

The Thai State and the Development of Telecommunications Industry

1 Government and business relations in Telecommunications development

In this chapter, an historical overview of the role of the Thai State in telecommunications development for the period 1932 to 1980 is presented. It also gives a background of the telecommunications transition during the reform period of 1980s and 1990s. This chapter is divided into three parts. The first reveals the development of the telecommunications sector. The second investigates what forms the state-business relationship used to take, and how the relationship has changed and why. The final part reveals the relationship between the state and the emergence of labour. The purpose of this part is to give a clear picture of the Thai state and society relations prior to the telecommunications reform. Understanding the origin of the state power prior to the reform in the mid 1980s is very important for an understanding of the changes of these relationships during the reform. As Cox (1981) suggests, 'the world can be represented as a pattern of interacting social forces in which states play an intermediate through autonomous role between the global structure of social forces and local configurations of social forces within particular countries'. Power should be seen as emerging from these social processes.

1.1 The Development of Telecommunications in Thailand: an overview

In contrast to the unstable political situation, the Thai economy has, until recently, stabilized throughout the past four decades. Thailand's GDP per capita increased at the rate of 4.3 per cent per annum during 1951-1991 (Warr, 1993:25). From the introduction of the First National Economic Development Plan (NEDP) in 1961 until 1985, the average annual growth of the Thai economy was at 7.1 per cent (NEDP). The early 1980s was a period of recession as economic growth fell to the lowest level at only 3 per cent in 1985. However, a turnaround came in 1986 when economic growth moved upward to 4.9 per cent, then to 9.5 per cent in 1987 and to 13.2 per cent in 1988. The economic boom with double-digit growth then continued until early 1991 when the aftermath of the 1991 coup and the Persian Gulf crisis caused a serious setback to the Thai economy. Nevertheless, despite the world recession, the Thai economy has overall shown stable economic growth to achieve annual growth rates of more than 7 per cent during 1991-95 before the Asian crisis in 1997 (see Table 3.1)

Table 3.1GDP Growth of Thailand, selected years (1961-2000), at current price

Years	GDP	Increase (%)
1961	Not available	7.1
1980	292.9	5.8
1985	373.9	3.2
1986	413.4	4.9
1987	452.6	9.5
1988	512.5	13.2
1989	573.9	12.0
1990	631.8	10.1
1991	623.8	8.2
1992	743.3	7.4
1993	789.6	7.5
1994	979.1	9.0
1995	1096.9	8.9
1996	1196.2	5.9
1997	1230.6	-1.8
1998	1185.6	-10.4
1999	1213.2	4.1
2000	1276.0	4.5

Unit: Billions of Baht

Source: 1961 data from Sakkarin (2000:8); 1980-2000 data from Bank of Thailand (various years).

The high economic growth during the past four decades was a result of major economic restructuring from the agricultural to industrialized economy (Pasuk and Baker, 1995). Both the boom in commodity exports because of agricultural expansion and the promotion of import substitution industries (ISI) by the government contributed to high economic growth during the 1960s and 1970s. The major shift in government policy occurred during the early 1980s when the worldwide recession and a slump in commodity exports worsened the economic problems accumulating since the 1970s. This economic downturn undermined the government's earlier reliance on commodity export strategies and the ISI that reached its limit. As export successes with manufactured products were achieved without much government support, the Export Oriented Industries (EOI) strategy was then seen by a range of state agencies, particularly the Office of the Board of Investment (BOI) and the Ministry of Finance (MOF), as a viable alternative means by which the nation's economy would develop. This new policy emphasis coincided with the rise of manufacturing industries whose share

in the nation's GDP began to surpass that of agriculture in the mid-1980s. Together with the export strategy, financial austerity and other economic measures – particularly currency devaluation successfully brought Thailand out of economic recession in 1986.

Favourable international conditions coupled with domestic economic adjustments were an advantage for Thailand's economy during the second half of the 1980s. The world's economic recovery and the decline in oil prices tremendously boosted the Thai economy and reduced its foreign debt crisis. The strength of the Japanese Yen and currencies of the East Asian Newly Industrializing Economies (NIEs) further accelerated the Thai economy as Thailand was chosen by Northeast Asian investors as a favourite site for foreign investments. Direct foreign investment started to increase from US\$263 million in 1986 to US\$352 million in 1987, and then to US\$1.139 billion in 1988 before acceleration to more than US\$2 billion during 1990-1992 (see Table 3.2).

Table 3.2 Net Flows of Foreign Direct Investment (1986-2000), at current price

Year	US\$ million
1986	263
1987	352
1988	1139
1989	4569.7
1990	2500
1991	5138.9
1992	5376.4
1993	4187.3
1994	1495.3
1995	4988.7
1996	5747.2
1997	11769.6
1998	20988.8
1999	13459.2
2000	9939.1

Source: Bank of Thailand (various years)

The rapid expansion of the Thai economy bolstered by manufacturing industries resulted in significant transformations of both the Thai economy and the country's social structure. For instance,

the share of agriculture in GDP slipped from 32 per cent in 1965 to only 12 per cent in 1990 while industry expanded from 23 to 39 per cent during the same period (Warr, 1993). The proportion of people working in agriculture decreased from 82 to 70 per cent, and those employed in industry and services rose from 18 to 30 per cent (Warr, 1993).

There were a number of social and economic problems associated with high economic growth. Apart from income disparities, urbanization, environmental degradation, the more acute problem mentioned in the business community was the severe infrastructure bottlenecks (Telecommunication Master Plan, 1997).

Infrastructure problems were caused by economic factors during economic recession in the early 1980s as well as during the economic boom in the second half of 1980s. During the economic recession, the Thai government sought US\$500 million standby loan arrangements from the IMF (Warr, 1993:13). Because of that economic ordeal, the government was forced to adopt austerity measures and streamlined its public expenditure during the Fifth National Economic and Social Development plan (5th NESDP:1982-86), resulting in a modest budget for public infrastructure investments. For example, government expenditure on transport and communications fell by 21 per cent in 1984 and decreased a further 5 per cent in 1985 (Sakkarin, 2000). Because a large proportion of public expenditure came from public enterprises, mostly responsible for infrastructure investments and public utilities, the austerity measures imposed by the cabinet curtailed direct government spending across the board and precluded public enterprises from securing overseas loans for their infrastructure projects (Poomchai, June 27, 2000).

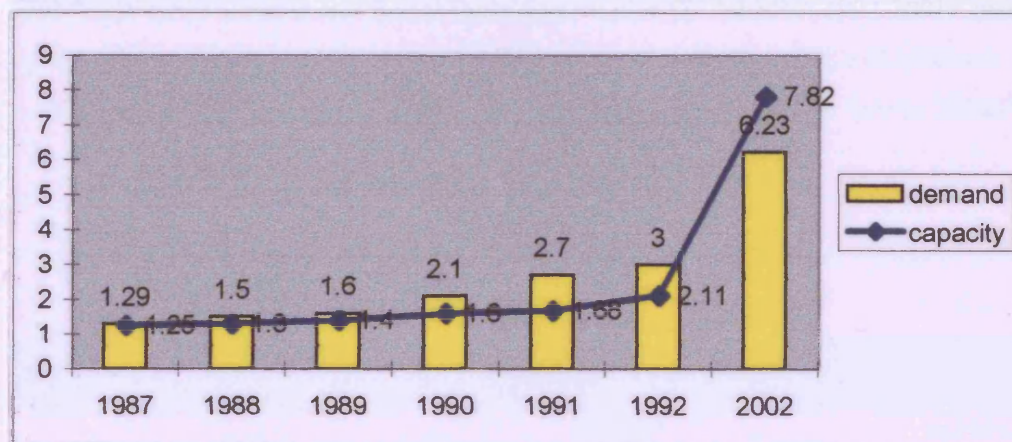
The economic downturn during the 1980s further influenced the future development strategy of the National Economic and Social Development Board (NESDB) and the Ministry of Finance (MOF). The Sixth NESDP (1987-91) was designed to promote a greater role for the private sector in the economy through the privatisation and improvement of public enterprises. From this policy as well as favourable international and domestic economic conditions, the economic growth during the first half of the plan was as high as 11.6 per cent per annum, with the growth of the industrial sector of 14.9 per cent annually (Sompop, 1993). As the actual economic performance outstripped the official projected figure (6.6 per cent per year), public infrastructure was unable to cope with the exploding demand (TMP, 1997). The major economic issue was no longer to survive an economic downturn, but how to relieve the infrastructure gridlock (Duenden, June 21, 2000).

Telecommunications was given a special place by the Thai government from the late 1980s on especially under the Chatichai government for two main reasons. First, the increasing internationalization of the Thai economy meant that competitiveness and productivity of Thai business were largely determined by the world economy. As capital, production, management,

markets, labour, information and technology came to be organized increasingly across national boundaries, the quality of information and efficiency of telecommunications services were crucial to the success of the national economy. Secondly, because telecommunications is a basic form of infrastructure linking all organizations and units of society, it was regarded as essential to alleviate the gridlock developing around other forms of infrastructure. Because telecommunications services require less start-up time to put in place than most infrastructures, they have commanded a high priority in the state's overall strategies to remedy infrastructure problems (Poomchai, June 27, 2000).

Having said that, instead of serving as a means to ease other infrastructure bottlenecks, telephone and other telecommunications services have themselves been excessively overloaded. While the demand for basic telephone services climbed from 1.29 million lines in 1987 to more than two million lines in 1990, the supply of telephones increased only from around 1.25 million in 1987 to 1.68 and 2.11 million lines in 1990 and 1992 respectively (see Figure 3.1).

Figure 3.1 Demand and supply of telephone lines in Thailand (1987-2002)



Source: Thailand Development Research Institute Report, 1999 and Telephone Organization of Thailand, 2002

The alarming increase in demand for telephones contributed to a reversal of the government's telecommunications policy. The Chatichai government started a process of revolution in telecommunications in Thailand by allowing private participation and limited liberalization in

telephone and other telecommunications services. This resulted in first, a whole range of new telecommunications services such as wireless communications entered the Thai market. Secondly, there was a boom in telecommunications business. Thirdly, a handful of local telecommunications groups have subsequently emerged as major regional players less than a decade later. As telecommunications liberalization has gained momentum, the role of the state in this economic sector has become one of the most important policy issues under review. At this point, the economy of the sector and the politics of the telecommunications reform have intersected.

As infrastructure development came to be considered the top economic priority during the second half of the 1980s, the public and private sectors, to remedy the intensifying problems, were injecting huge amounts of capital. The Six NESDP (1987-91) saw a jump in investment levels of telecommunications of 30 per cent. More striking were the planned investment outlays for infrastructure development in the Seventh NESDP (1992-96), during which time expenditure on telecommunications increased by 247 per cent to 153 million baht. Along side transport and energy, infrastructure development during the Sixth NESDP required a 76 per cent increase in capital over what was spent during the Fifth NESDP, while the Seventh NESDP boosted such spending by 148 per cent over the previous plan, to the amount of 876 million baht (see Table 3.3) However, the economic crisis in 1997 forced the Thai government to seek loan arrangements from the IMF. The government was forced to adopt austerity measures and streamlined its public expenditure during the Eighth national economic and Social Development plan (8th NESDP: 1997-2001), resulting in a modest budget for public infrastructure investments. The investment in transport and communications dropped from 981 million baht in 1997 to 589 million baht in 2000 (Table 3.4).

Table 3.3 Investment outlays for infrastructure development in Thailand, NESDP 5th, 6th and 7th.

Sector	5th NESDP (1982-86)	6th NESDP (1987-91)	Increase (%)	7th NESDP (1992-96)	Increase (%)
	Outlay	Outlay		Outlay	
Energy	19.3	132.6	585	282.3	113
Telecom	33.9	44.1	30	153.0	247
Transport	53.8	136.0	153	421.5	210
Utilities	94.4	40.9	-57	19.2	-53
Total	201.4	353.6	76	876.0	148

Notes: Units in million baht.

Source: The National Economic and Social Development Board (NESDB)

Table 3.4 Investments during the 8th NESDP

Sector/Year	1997	1998	1999	2000	2001
Agriculture	84464.0	60920.0	60932.9	64900.2	65907.6
Industry and Mining	3181.3	2946.4	3230.2	3651.8	3334.7
Transport and Communication	98191.4	74676.0	66444.5	58968.5	61295.8
Commerce and Tourism	7037.5	6308.9	6911.2	5378.4	6989.8
Science, Technology, Energy and Environment	20046.8	13891.5	13240.5	24705.6	26357.7

Units in million baht

Source: Budget in Brief 2001. Bureau of the Budget

The multiplying economic interests connected to infrastructure development turned economic issues into major political agenda items during the Chatichai administration. During the first two years of this government, the Chatichai cabinet approved numerous public infrastructure projects funded by the private sector, including telecommunications projects. However, these approvals were not transparent and created a number of scandals. These projects were created without feasibility studies or participation carried out many of these schemes by relevant bureaucratic agencies. Thus the Chatichai government unnecessarily created the most powerful enemy. Some of its enemies were some bureaucratic agencies whose roles and authority associated with earlier infrastructure development were bypassed. Another powerful enemy was the public due to the government's lack of transparency, as well as incessant scandals linked to allegedly corrupted cabinet members who later caused the downfall of the government in 1991. After the Coup 1991, the National Peace Keeping Council (NPKC) confiscated possessions of as many as 25 Chatichai's cabinet members (Preecha and Suree, 1999).

1.2 Changing Role of the State in Telecommunications

1.2.1 Reform Pattern and Trend in Thailand

The root of telecommunication reform in Thailand differs from those in developed countries such as the USA, UK, and Japan. The drive for reform in Thailand was not instigated in search of better and cheaper services, but by the executive branch of each government pursuing a solution to fiscal economic constraints. The search for solution to some of these fiscal and economic problems pointed

to the privatization of state-owned telecommunications companies and the liberalization of the local telecommunications market. The fact that telecommunications reform in Thailand was promoted mainly by the state, not by actors in civil society such as corporate users as it was in developed countries, has affected the nature of reform. For example, during the Prem period the predominant policy in reform was privatization (Table 5.10, Chapter 5), while liberalization is the dominant pattern in developed countries. This also affected the degree of politicization of the process in which opposition has been higher than in liberalization (Petrazzini, 1995).

1.2.2 The Rise of Natural Monopolies

Decades of state-owned telecommunications led to an assumption that telephones have always been a public service owned and run by the national government of a country. However, historically, in almost every nation around the globe, telecommunications services began as private, commercial businesses. Monopoly and the notion of universal service, which have dominated the sector for so long, were also absent at the industry's inception (Petrazzini, 1995).

Regimes of telecommunications regulations (monopoly or competition) were rationalized in terms of economic, political, and social viewpoints. From an economic viewpoint, natural monopoly theory suggested that telecommunications was an industry with clear economies of scale and, therefore, should be run as a monopoly (Sharkey, 1982). Under economies of scale in telecommunications, Sharkey (1982) explains, the cost of adding any additional customer drops as the number of subscribers increases. A natural monopoly exists when the cost to one producer supplying all the market is lower than the cost for multiple producers supplying segments of the market. Considering that governments aimed at the highest possible network expansion for the least cost, it was reasonable to establish a monopoly. Sharkey (1982) also suggests that economies of scope of the telecommunications sector also supported the rise of monopolies. He said once a system is in place, it is less costly for the existing carrier to move upstream to new and related systems and services than for a third party to develop a new infrastructure to provide those services.

Furthermore, telecommunications required large sunk capital investments with long-term amortization (Sharkey, 1982). The competitive regime that allows more than one provider in the market was thought to entail a waste of societal resources and would make it difficult for the dominant provider to recover initial investments, holding back the provider to make new investments. Finally, competing companies might create the diversity of technical standards and protocols causing the difficulties for interconnection. Therefore, the 'one provider' was a favoring solution (Sharkey, 1982).

Political concerns reinforced the economic dimension of the monopoly. Telecommunications has been linked to national security and sovereignty (TMP, 1997). Issues concerning national integration and sovereignty were also related to the notion that a national, unitary network under state control was a great device in the pursuit of national integration and the consolidation of a national identity. Thus an integrated network of national communications that linked people and institutions across regions would establish tighter social, political, and commercial ties within the nation (TMP, 1997).

To achieve these and other related goals, governments established what became the core institution of telecommunications - the Postal and Telegraph Department (PTD), with the Communication Authority of Thailand (CAT) and the Telephone Organization of Thailand (TOT) as operators. The mandate of the PTD, CAT and TOT was public service. This led to a pricing scheme that relied on cross-subsidization resulting in a non-transparent tariff-fixing scheme. As sole providers of service nationwide, PTD, CAT and TOT could manipulate prices and also shape national industrial policies for the telecommunications sector. For example, the tariff rate of the TOT mainly reflects its own social priority in the Metropolitan area by using a flat rate (The Communication Authority of Thailand, 1993:A-9). Furthermore, monopoly in the equipment market granted governments an important role in the development of a local telecommunications industry.

1.2.3 The Decline of the State Control

In Thailand, economic restructuring since 1961, for example, a consolidation of import-substitution industrialization (ISI) and an introduction of the National Economic Development Plan (NEDP), reinforced further the intervention of the state in key sectors of the economy, in particular, in those (such as telecommunications) that were crucial to the development of a national infrastructure for industrial production.

Through implementation of ISI, the state became a regulator and protector of domestic markets and slowly took central stage in the production process. Private sector inability to fulfill certain economic and social functions crucial to national development, and the state's willingness to bail out private enterprise bankruptcies led the Thai governments to absorb functions that were traditionally conceived as belonging to the private sector. For example, the Ministry of Finance has a control over financial obligation (loan credit, overdraw, issuing debenture, guarantee or issuing instrument of debt) that overextended the state role and led to paternalistic relations.

When the state acts as both regulators of markets and managers, Evans (1985) argued that an overextended state suffered from structural deficiencies that resulted in negative behaviour by their agents. State-owned enterprises (SOEs) for example, suffered from contradictory goals, ranging from

profit maximization and efficiency to the fulfillment of welfare aims such as the provision of employment and subsidies to selected social groups. They functioned under the constant interference of the various ministries with oversight of the firms' operations (TMP, 1997). Social and political goals generally overshadowed arguments for economic efficiency. The Prem government announced that the CAT and TOT were 'Public Services/Utility State Enterprises' (The Communication Authority of Thailand, 1993:A-8).

One of the ramifications of the public service obligations is an assertion that the State Enterprises overseeing telecommunications must provide a universal service to the public (Cabinet Resolution of June 12, 1984 at Clause 1.1, 1.2, 3.2.1, 4.3). As such, the principle of universal service was frequently used to preserve exclusive rights of the PTD, CAT and TOT to offer basic telecommunications services. In Thailand, these exclusive rights extended to cover who would handle monopoly power, and why and how monopoly power should be kept intact with the government agencies. Moreover, the authoritative decision makers still treat telecommunications services (especially basic services) as a public utility to be controlled by the State (The Communication Authority of Thailand, 1993:A-9). This pattern led to relaxed or nonexistent incentive and/or penalization mechanisms and an absence of effective measures of performance. These and a variety of other factors turned SOEs in Thailand into inefficient and costly operations, without clear benefits for society as a whole (TMP, 1997).

Despite the sluggish performance, some SOEs remained a profitable business. Table 3.5 shows revenues that SOEs provide to the State. SOEs often subsidized societal groups by rendering a low level of new investments, which in turn affected the updating and upgrading of the telecommunication system's technology (The Communication Authority of Thailand, 1993). Scared investment also affected the expansion rate of the public network. The telephone penetration rate of Thailand in 1991 was 2.88 lines per 100 population, while government subsidized cellular phone with dramatic growth from 66,278 in 1990 to 210,000 subscribers or 216.80 per cent. The cellular phone penetration of Thailand in 1991 was 3.7 cellular phones per 100 population while an average penetration of Asia-Pacific was 0.9 (Somkiet, June 21, 2000).

However, poor performance was not the only reason for change. The study carried out by the ITU shows telecommunications restructuring in most developing countries is part of large economic adjustment programs driven by fiscal crisis and economic decline (Becher, 1991). Take Thailand for example, the Thai government sought US\$ millions standby loan arrangements from the IMF during the economic recession in early 1980s and in 1997. Because of those economic ordeals, the government was forced to adopt austerity measures and streamlined its public expenditure during the Fifth and Eighth National economic and Social Development plans, resulting in a modest budget for public infrastructure investments (Poomchai, June 27, 2000). The telecommunications investment

during the 5th NESDP was 33.9 million baht compare with 441 and 153 million baht in the 6th and 7th NESDP respectively (Table 3.3).

Table 3.5 Revenues by State Owned Enterprises (SOEs)

Year	Total Revenues	SOEs Revenues	Percent (%)
1988	199500.0	8826.7	4.4
1989	262500.0	9044.1	3.4
1990	310000.0	13055.0	4.2
1991	387500.0	17751.3	4.6
1992	460400.0	20941.3	4.6
1993	571710.0	35500.0	6.7
1994	655510.0	42100.0	7.0
1995	768300.0	44000.0	6.1
1996	906200.0	49850.0	5.9
1997	984380.0	63920.0	6.9
1998	839660.0	711830.0	9.1
1999	755508.0	73152.0	10.4
2000	802425.0	42680.0	5.7

Source: Bank of Thailand, various years

With few alternatives, governments adopted policy recommendations from international lending institutions, which argued that economic failure in developing countries was due to ill-conceived domestic economic policies (UN Report, Williamson, 1990) such as ISI. The remedy for this illness was the deregulation of economic activities, the introduction of extensive competition in domestic markets, the increase of foreign investments, and an extensive privatization program (Cabinet Resolution of August 1997, September 9, 1997 and September 16, 1997).

Local governments signalled the seriousness of their efforts to introduce free market forces into their domestic economies by targeting telecommunications, a business with the potential for high profits. However, the past Thai governments also pushed reform because they saw in telecommunications a crucial tool for economic development (6th and 7th NESDPs). The sector had undergone a profound technological change that affected its role in the economy and society. These changes raised questions about the legitimacy of natural monopolies and nurtured the emergence of new ideas that

pointed to the need for competition and private ownership in the sector (TMP, 1997 and Duenden, June 21, 2000).

A rapid technological development in the telecommunications sector defined the status quo of monopoly service delivery and equipment. Technological transformations appeared simultaneously with the expanding globalization of domestic economies and the increasing participation of information components in the production system (Schiller, 1999). Advanced in telecommunications technologies, such as fiber optics, radio cellular systems and their merger with computers and information systems disrupted the traditional conceptual basis and regulatory arrangements in which telecommunications services had been embedded for almost a century (Cowhey and Aronson, 1989:9). Cowhey and Aronson (1989) argue that the mixing of regulated telecommunications technologies with the unregulated computer sector challenged the ability of governments to protect telecommunication monopolies. Moreover, the merger of telecommunications and computer technologies created the rise of new customized service suppliers who slowly eroded the monolithic market control by dominant carriers.

Many academics offer persuasive arguments against the maintenance of telecommunication monopolies in response to these developments (Noam, 1987 and Saunders et al. 1994). The restructuring began, most academics suggest, with the liberalization of the equipment market and it followed with the dismantling of absolute service monopolies. Due to the globalization of domestic economy and the increasing permeability of borders, for example, the reform initiative of some developed countries affected the market profile of telecommunications service in other countries (TMP, 1997).

Changes in the sector converged with political preferences supporting competition, deregulation, privatization, and free market policies in general. It led to a crumbling of traditional 'natural monopolies' under the weight of the new economic and political trends of privatization of SOEs, liberalization of domestic markets, and the deregulation of the sector.

1.3 The Politics of Telecommunications Reform

As telecommunications reform turned into a major political issue, many agencies and interests actively participated in telecommunications politics. Whereas state agencies including the Ministry of Transport and Communications (MOTC) and the Post and Telegraph Department (PTD) are largely responsible for policy planning and policy decision, state-owned enterprises under the MOTC such as the Telephone Organisation of Thailand (TOT) and the Communications Authority of Thailand (CAT) are directly responsible for regulation as well as licensing and operation. Since privatisation

and telecommunications reform took place in the late 1980s, political parties, businesses, the military, state enterprise unions and academics have entered the arena of telecommunications politics. The progress towards telecommunications reform during the late 1980s to 1990s was a result of the growing influence of the pro-reform coalition spanning a range of actors and interests (Sakkarin, 2000). The challenge in the telecommunications reform is a dynamic process marked by the shifting and changing coalitions as well as ideas.

Inasmuch as the domestic political economy has influenced Thailand's telecommunications development, the liberalization of global telecommunications has played an important role in shaping Thailand's policy direction in telecommunications. The Thai State has to adapt to the new role of dealing with domestic interests at the same time as attempting to develop an advantageous position for the state in the global economy. When events in the international political economy lead to the mobilization of domestic interests, the institutional state invariably finds its autonomy or freedom of action reduced (Strange, 1988), and options that might otherwise have been open to it in dealing with domestic and international issues become foreclosed.

As a result of the domestic and international political and economic transformation, the Thai State has recently been restructured in ways that have legitimized the neo-liberal reordering of domestic and international relations through the liberalization program. In this way, Robert W. Cox (1987) explains that the state has acted and continues to act as the complex mediator of a changing politico-economic landscape.

2. The Role of the State and its Relation to Business in the Development of the Telecommunications Sector

2.1 The Prevalence of Clientelism in the Bureaucratic Policy Period (1932-1973)

The business-government relationship between 1932 and 1973 was developed in the context of a major political revolution. In 1932 a group of young European-educated Thais overthrew the country's traditional absolute monarchy in an attempt to replace it with parliamentary democracy (Pasuk and Baker, 1997). However, the success of the revolution resulted in a political system in which the Cabinet, a ruling committee of the executive branch, was the main arena for political rivalry (Pasuk and Baker, 1997). The competitors in the arena were mainly from either the military or civil bureaucratic elite. The domination of bureaucrats in the cabinet led Riggs to term Thai politics during this period as the 'bureaucratic polity'. Riggs (1966:312) wrote:

...the goal of the revolution was not to establish a popular constitutional government but rather to place commoner officials in the cockpit of power and to organize a polity that would rule on the behalf of the bureaucracy (bureaucratic polity).

As a result, most political activities concentrated on competition for ministerial posts. Cliques and factions, bound together by ties of friendship and long-standing acquaintance, were formed to compete with each other for the posts. This political competition was based on small ideological differences and little effort to attract popular votes (Riggs, 1966:211-212).

Similarly, Suriyamongkol and Guyot (1986) described the kind of bureaucratic polity created after the revolution as having two major characteristics. First, the bureaucracy, led by strong military men, ruled the country with immunity from the control and direction of non-bureaucratic forces. In other words, pressure groups or interest groups outside the bureaucracy, if any, were not strong enough to exert influence on the operation of the bureaucracy. Second, as a result, political change was in a form of the 'shifting lines of personal factions rather than through such social structures as formal organizations, classes, or interest groups' (Suriyamongkol and Guyot, 1986:4).

This political revolution took place during a huge influx of foreigners, especially Chinese immigrants, into Thailand. Chinese immigrants quickly took control of trade and commerce while ethnic Thais were more in favour of joining the civil service. Thais enjoyed the civil service because they earned religious merit through association with the Monarchy (Pasuk and Baker 1997). Business was something left to people they regarded as pariahs. Therefore, the foreigners, particularly Chinese immigrants, emerged as commercial intermediaries in the traditional society characterized by a two-fold division of the population: the peasantry and the ruling officialdom (Suriyamongkol and Guyot, 1986:19).

However, Chinese economic success led to Thais' resentment. This resentment together with the Second World War led to the subsequent development of nationalism, which put a great amount of pressure on the Chinese business community. In the light of these attitudes, the government created a nationalistic policy: the 'Thai-ification' programme, which consisted of the establishment of semi-official enterprises to take over some of Chinese economic role, and tight business control. Skinner (1958:190) described the government control on business as follows:

Most of these measures ... were impracticable, ineffective, or abortive. ...all these threats (business controls) and developments were ... the unremitting government pressures on Chinese businesses in 1951-1952... No one knew when his particular line of business might be reserved for Thais or subjected to

strict control, when the lease of his shop or title of his business property might be challenged, or when his business might be inspected by revenue officials or raided by police. Few businessmen in Bangkok found it possible to operate profitably entirely within the letter of the endless laws, decrees and programs officially adopted by the government. In these circumstances bribery, squeeze and the pay-off have become common features of business function in Thailand.

Through the 'Thai-ification' programme, Chinese found it necessary to develop business ties with influential Thai officials, resulted in widespread corruption within the government and the bureaucracy. Chinese developed business ties with influential Thai officials for several reasons, outlined below.

Skinner (1958:303-304) reasoned that, first of all, such ties were helpful if not essential in 'obtaining routine licenses and permits'. Second, the business ties offered greater 'security from police interrogation, extortion or arrest'. Third, the 'ties yielded special privileges' for Chinese business.

Skinner (1958) also stated that Chinese businessmen had several ways of effecting business alliances or connections with influential Thai officials to secure their permanent support. First, Chinese businessmen invited top government officials and other members of the Thai elite on the boards of directors of their commercial and financial corporations. Second, new corporations were formed on a 'co-operative pattern'. That is Chinese supplied the capital and entrepreneurial skill, and Thai officials supplied protection, official privileges and in some cases, government contracts for the Chinese. Third, Chinese businessmen with Thai citizenship joined semi-official Thai enterprises in a managerial capacity (Skinner, 1958:191-192).

In effect, the business-government relationship between 1932 and 1973 resulted in 'clientelism' defining as a 'complex pattern of vertical linkages arising from the exchange of protection and support between a powerful personage (patrons) and a shifting array of lesser actors (clients) (Suriyamongkol and Guyot, 1986:8). Businessmen co-operated against their will with influential government officials. The influence of business groups on the government was minimal and affected the policy of the state mainly in an informal, ad hoc and clientelistic manner.

2.1.1 Telecommunications: Thai Nationalism and Raison etat

The bureaucratic polity represents an example of *raison etat*. Not only were there no formal channels of representation, because the cabinet of Pridi, Maj. Phibun and their followers' regimes wanted to eliminate any obstacle in pursuit of a modern Thailand, but the project of modernization was

undertaken with a ruling elite that made decisions without the political participation of other sectors of society.

The forms of state intervention during this period were first, formal facilitation (Jessop, 1982) to maintain the general external conditions of capitalist production. Second, substantive supports (Jessop, 1982) in that the state directly allocated particular conditions of production to particular economic agents, rather than leaving it to the market. The state created the conditions for development of capitalism by developing an infrastructure that was used both as a capital good and as the component that brought together a national market.

Take telecommunications of Thailand for example. Although the telegraph and telephone industries were relatively small in themselves, they were extremely significant for the production and modernization process. The most important function of telecommunications was its linkage with the capital, Bangkok and all of the country's borders as well as with agricultural centers such as the sugar sector in Lampang, providing for a national dimension for capitalism (PTD, 2000).

2.2.2 The State Manager

During this period, the state is a force in its own right. That is, the state has the ability to penetrate, control, supervise, police and discipline society. The state is autonomous to the extent that it could take authoritative actions. That is the state could conform public policy to the 'parallelogram' of the public officials' resource-weighted preferences (Nordlinger, 1981:19).

By parallelogram, it means that state managers during the bureaucratic polity were able to follow their own preferences without real opposition from outside forces by successfully reinforcing societal groups who support them or they might successfully minimize the impact of societal actors whose policy preferences are different from their own. The state's strategy included direct attack or weakens the powers and determination of forces with divergent preferences.

The growth of state intervention through the Thai-ification helps to enhance state autonomy because it provides

... more chances to hide or disguise policies to prevent opposition, insulating the policy-making process from effective opposition, neutralizing private powers through state-owned or controlled resources, co-opt or dissuade the leaders of opposition forces, withdraw other forms of state support, service or benefit, or simply rely on the sovereign powers and prerogatives of the state to impose

decisions authoritatively, especially where such action does not depend on the active co-operation of forces beyond the state (Nordlinger, 1981:132-40).

In this situation, Riggs (1966) argued that the business could develop, but:

Precisely because of their lack of political access, a business community having such a background would be unable to gain power to the extent needed to impose constitutional restraints upon elite, and to compel those in authority to protect the economic institutions without which private enterprise and a free market can scarcely flourish.

Business persists only in the form of pariah entrepreneurship:

Individual businessmen could be permitted by influential officials to carry on their activities, provided they contributed financially to the private income of their protectors and patrons in the government. The institution of pariah entrepreneurship, in other words, can become a necessary condition for making careers in government service lucrative... (Riggs 1966:250-1).

From Riggs' analysis, the wealth of the counter-elite tends to be productive but insecure, while that of the elite is secure but generally unproductive. Riggs argued that this relation could retard economic growth because it could obstruct the emergence of the institutions necessary for economic growth, hence increased the risks involved in any long-term investments (Riggs 1966: 251). For Riggs, the emergence and survival of particular enterprises is only possible through the intervention of influential officials. Yet, at the same time, the ruling elite:

is not politically responsible to the business community, [and] there is no reason to think that it would want to adopt or enforce any general rule protecting the property interests of the businessman (Riggs 1966: 252).

2.2 The State's Role during the Telecommunications Transition 1980-2000

2.2.1 The coming of Prem

At the end of 1978, the military leadership promulgated a new constitution, scheduled a general election and steered Thailand towards semi-democracy. However, the Kriangsak Chomanan government did not last long. This was due to the government making an unpopular decision to raise

domestic oil prices in response to pressures created by the 1970 international oil crisis. This decision worsened the economy and financial stability of the country. Trade deficits rose from 6.0 per cent of GNP in 1978 to 8.3 in 1979 and 8.6 in 1980 (Anek, 1992:37). Meanwhile, the international debt of the government also increased year-on-year from an already high level of 95 per cent of the international foreign exchange reserve of the country in 1977 to 178 per cent in 1980 (Anek, 1992:37). The public and the media condemned the action of the government. Furthermore, the army withdrew their support and this led to Kriangsak's resignation in 1980.

Nevertheless, bounded up with the national economy and financial stability, Kriangsak sought help from business by setting up the Joint Standing Committee to find solutions to the trade deficit problem (Ruam Prachachart Turakij, May 28-June 3, 1978:6). The business class worked with the elites in the earlier period, and they were politically passive partners until the 1970s when businessmen formed a majority in the cabinet in 1975, thus increasing their political role. Business leaders became office-holders in political parties, while corporate interests gave the parties financial support (Pasuk and Baker, 1997). In the late 1970s, the parliament gave business interests a strong influence over economic policy-making. During this period, the top corporations received more active governmental help than at any time before or after. They were protected from outside competition by rising levels of tariffs and other trade barriers. They were helped by rules, which forced foreign companies into joint ventures with local firms. They were defended against local competition by formal and informal market policing (Pasuk and Baker, 1997).

2.2.2 Increasing Business Force

General Prem was chosen to head a new cabinet. Prem put much more effort into securing the support of the House of Representatives. Major parties were invited to join the government. Since most parties were businessmen, almost half of Prem's cabinet members were persons with a business background (See Table 3.6). The businessmen in this government supported the desire of business to have a more effective role in government economic policy-making. By 1981, the business leaders hoped to develop this government-business alignment further, on the model of Korea or Japan. They lobbied to institutionalize the co-operation between government and business along the lines of Japan's MITI (Ministry of Information Technology and industry) (Anek, 1992).

However, this proposal failed. The bureaucracy was not prepared to embrace business; henceforth, business opted for a compromise of a semi-formal structure of the Joint Public and Private Sector Consultative Committee or JPPCC (Government of Thailand, 1986: Appendix, pp. 2-5). The JPPCC provided a limited and official channel for business to lobby the economic ministers and technocrats over economic policies. Through this structure, business was able to guide the transition through an

export-oriented economic policy. Apart from that, the government started to sponsor provincial business organizations during 1983-84. The government supporters were educating them on the utility of business associations, providing them with some office facilities and encouraging them to organize provincial JPPCC (Government of Thailand, 1986). This was the way in which the political power of the business class was established.

Table 3.6 Businessmen in Thai Cabinets, 1963-2000

Premier	Beginning Date of Cabinet	Number of Businessmen	Total Number of Cabinet Members	Percentage of Businessmen
Sarit	February 1963	0	14	0.0
Thanom I	December 1963	1	18	5.6
Thanom II	March 1969	1	25	4.0
Thanom III	December 1972	3	28	10.7
Sanya I	October 1973	4	28	14.3
Sanya II	May 1974	3	31	9.7
Seni I	February 1975	8	30	26.7
Kukrit	March 1975	16	27	59.3
Seni II	April 1976	11	31	35.5
Thanin	October 1976	1	17	5.9
Kriangsak I	November 1977	2	33	6.1
Kriangsak II	May 1979	9	43	20.9
Kriangsak III	February 1980	5	38	13.2
Prem I	March 1980	17	37	45.9
Prem II	January 1981	12	40	30.0
Prem III	December 1981	17	41	41.5
Prem IV	May 1983	21	44	47.7
Prem V	August 1986	19	324	37.9
Chatichai	1988	32	357	36.9
Anand	March 1992	33	360	
Chuan I	September 1992	29	48	36.9
Banharn	July 1995	30	50	30.6
Chavalit	November 1996	39	49	29.0
Chuan II	October 1997	29	48	
Taksin	January 2000	-		

Note:

1. Number of businessmen from Prem V is accounted for the total number of businessmen in the House of Parliament. They may or may not be a member of cabinet.

2. Although percentage of businessmen from Prem V to Chuan H decreased, it does not imply the decrease in influence of businessmen. The percentage of politicians in Banharn government was 38.6, compared to 13.9 per cent in Prem V. Thus number rose to 58.5 per cent in Gen. Chavalid cabinet (House of Parliament, 1995-2000). It is noteworthy that a large number of politicians who declared themselves as businessman later declared themselves as politicians. This can be interpreted: there is an ideological transcendence or transformation. The business incorporates in the system, thus transforming historical bloc. In this way, they can resolve conflicts of interests by legitimately redefine themselves.

Source: Adapted from Anek, able 2.3, pp.34, with the data for the period from Prem V to Taksin updated by this writer.

2.2.3 Basis for Business Power

In the case of Thailand, clientelism was mainly supported by first the sole control of political power by bureaucrats and the fact that there were not any non-bureaucratic groups existing or strong enough to challenge and balance the power, and second, the domination of business by foreigners, i.e. Chinese immigrants. The explanation of the transition is simply that as socio-economic developments occurred, these two elements were undermined. The bureaucratic polity had been set back by the student revolution in 1973 and meanwhile, the status of the business community rose.

2.2.4 The Decline of the Bureaucratic Polity

After the absolute monarchy was overthrown in 1932, the bureaucrats took control of power and the political activities of non-bureaucratic groups such as students, workers, peasant and businessmen were reduced to a minimum. This situation allowed the bureaucrats to abuse their power unchallenged and corruption was widespread. Cliques and factions, mostly bureaucratic, took turns in controlling the government. Certainly, the general public was not widely involved in the rivalry between top politicians and tended to feel that changes in the ruling groups were likely to be harmful rather than beneficial (Riggs, 1966:244).

Moreover, it can be said that up to the early 1970s, the influence of interest groups or legal provisions and administrative practices had also been minimal, except for associations of Chinese origin (Anek, 1989). Anek (1989) argues that this, together with weak political parties and the public's lack of knowledge and interest in politics, left the bureaucracy's power unchecked.

As socio-economic developments had taken place and mass media permeated Thai society, the public's awareness of politics and government increased, particularly among students. Originally, the students were passive, although their social consciousness had been gradually growing for some time. In 1969, the National Student Center of Thailand (NSCT) was founded. It originally confined its activities to public welfare programmes. It later got involved in an anti-Japanese goods campaign. Finally, its activities became political and concentrated on the malpractice and abuse of power of the government, the Thanom-Prapass regime (Prudhisan, 1974:539-540). In effect, the students challenged the Thai bureaucratic polity in a way that could not have been imagined before. The government was finally brought down by the students' massive demonstration in October 1973.

The fall of the government led to several changes in Thai politics. First, the public's interest in politics and government increased and the spirit of democracy was raised in their consciousness. Second, new pressure groups were formed. Besides the student pressure group, other groups such as the Teachers' Center and the Teachers' Union also increased quickly. Among the most prominent pressure groups were labour unions. The number of labour unions increased tremendously after the student uprising from only 13 unions in 1973 to 78 in 1976 (Suriyamongkol and Guyot, 1986: Table III).

In short, the political power structure had changed from the bureaucratic polity to one in which bureaucratic power was cut and pressure groups had emerged, and to a certain extent balanced its power. In this sense, society had become pluralistic (Anek, 1989 and Pasuk, 1989). This change, together with the increase of public interest in politics, Anek (1989) argues, had made it rather difficult for the bureaucrats to play the patronage role.

2.2.5 The semi-Democratic Government

After the short return to military rule between 1976 and 1979, democracy was re-established. Prem's regime was based on a combination of military and civilian leaders. Ultimate power lay with the armed forces, but the political parties played a major role in linking the military, civilian bureaucrats, and business interests. Sakkarin (2000) argues that while Prem's role as a mediator helped him to balance all influences in his cabinet, it also manifested his rule as indecisiveness and instability, which led to his unexpected exit and dissolution of parliament in 1988. The election in the following month resulted in a coalition government formed by the CTP, the SAP, the Democrat Party, the United Democratic Party and the Mass Party, with the CTP leader, Chatichai Choonhavan as prime minister (Government of Thailand, 1986).

During the Prem administration (1980-1988) there was a transition in the Thai production structure from basic agricultural produce to product manufacture (Pasuk and Baker, 1996). This transition had been largely due to several major factors. First, the government designed that the investment incentives induced a large number of new projects in the manufacturing sector. Second, several of the manufactured products of these new projects had managed to find gaps in the market abroad, especially the markets of labour-intensive industry created by the transition of other Asian Newly Industrialized Countries (NICs) to technology-intensive industries. Third, the depreciation of the baht against other major currencies had helped to make Thai manufactured exports more competitive abroad. Finally, the world commodity prices for Thai-produced goods were on a downward trend (Pasuk and Baker, 1996; and Sakkarin, 2000).

2.2.6 The Upgraded Status of Private Business

As the bureaucratic polity, an element supporting clientelism, had declined, the status of private business had been upgraded. As mentioned earlier, businessmen were viewed as pariah entrepreneurs; they were often harassed and their money extorted by corrupt officials. However, the changes in socio-economic and political climates had altered this image. The nationalistic and rather hostile policy pursued by the government towards the Chinese softened. This was due to first, the Immigration Act, which stopped the influx of Chinese immigrants into Thailand and second, their assimilation into Thai society, thus removing some of the threats, especially economic, perceived by the indigenous Thais. 'Many Chinese businessmen and industrialists have become Thai citizens through the process of naturalization' (Suriyamongkol and Guyot, 1986:21-22).

Moreover, private business offered better salaries and fringe benefits, thus, it could attract more highly trained and qualified professional personnel, especially those with education and experience from abroad (Anek, 1989). This added more prestige to the image of the business community (Anek, 1989). The government also turned towards the private sector for consultation and co-operation on economic problems such as inflation, unemployment and trade deficits. This is evident from the statements made in successive NESDPs. For example, the 3rd NESDP (1972-1976) clearly emphasized that the relationship between the government and the private sector must be developed and 'the private sector should be encouraged to play a greater role in economic and social developments'.

In summary, the more democratic period after the student revolution, the improving image of business sector and the economic direction of the government brought in a number of changes. First,

the bureaucratic polity declined. Second, pressure groups and political parties became stronger and balanced the power of the bureaucrats. These two events changed the government-business relation from clientelism to direct participation and group-based lobbying (Anek, 1988).

2.2.7 The Rise of Chatichai

When Prem decided to dissolve parliament in May 1988, and Chatichai was elected as Prime Minister, it was the end of the semi-democratic regime and the beginning of a more democratic party-based system (Pasuk, 1997). This political change together with the rapid economic growth, contributed by the fast-expanding role of business supported by the government, drove the country towards economic liberalization. The reform alliance in the telecommunications industry became much stronger and more active. The BTO scheme that was adopted once during the eight-year Prem regime became the most practical means to implement privatization and incremental liberalization during Chatichai regime (Sakkarin, 2000).

During the Chatichai government, political parties and business gained their importance, while the military's and dominant technocratic agencies' influences, particularly the NESDB, were in decline (Sakkarin, 2000). The economic reason led to the increase in political power of businessmen and political parties. There was a dramatic economic recovery in the late 1980s, due partly to previous reform measures such as export-oriented policies. The economic boom greatly increased foreign exchange reserves and helped improve the overall economic health of the government (Medhi 1993).

A good example of this was Chatichai himself. Before heading the business-oriented Chat Thai Party, Chatichai had served as a military official, diplomat and businessman. He also had a close relationship with textile and petrochemical industries. The Chatichai regime was characterized by growing powers of political parties seeking to win back the power of the bureaucrats during the Prem regime. Elected politicians therefore controlled most of the key security and economic agencies during the Chatichai period (Banthit, Vimonrat and Somsri, 1994). In economic policy-making, the Chatichai government kept the policy-making function of the NESDB to the minimum by making it a strictly policy-planning body. Chatichai also reduced the role of the JPPCC, which worked closely with the NESDB. All these strategies allowed business to gain direct access to cabinet members and political parties instead of having to go through the Board and the JPPCC. Business, therefore, was able to expand its political role and exert its influence on the economic policies of the Chatichai government.

2.2.8 The Hegemonic Project: Privatization and Liberalization

With reference to telecommunications, the financial improvement led to a jump in government expenditure on infrastructure projects. Table 3.3 (chapter three) shows that there was heavy investment in infrastructure during the 6th (1987-91) and 7th (1992-1996) NESDP. Investment of telecommunications increase 30 and 247 per cent in the 6th and 7th plans respectively, while transportation was up from 53.8 million bahts in the 5th plan to over 400 million bahts in the 7th plan. However, infrastructure investments required during the Sixth NESDP were far beyond the state's own resources: privatization thus became a necessity for Thailand's economic future (Poomchai, June 27, 2000). The Chatichai government carried on the BTO scheme initiated by the Prem government. The government also tried to promote liberalization in the industry through an effort to set up an independent regulator and regulatory reform (Draft of Communications Act, MOTC, 30 June 1989), which faced strong opposition from labour unions.

Faced with resistance from labour unions, the Chatichai government postponed the liberalization plan and chose to carry out privatization through the BTO scheme (Sudharma, June 30, 2000). More than twenty telecommunications concessions were granted to private investors during 1988-90 (MOTC document). The government believed that this would inevitably lead to liberalization (Sudharma, June 30, 2000). That is, without any clear legal delineation of functions, the TOT and CAT would end up competing in many of the same services, thus stimulating liberalization (Duenden, October 31, 1999 and June 21, 2000).

2.2.9 The return of the Military

The coup in February 1991 overthrew political parties from the centre stage of Thai politics and restored power to the military and the bureaucracy. One of the early attempts by the military to weaken the political parties was to break connections between the parties, provincial businessmen and bureaucrats. Incidents such as the assassination of leading provincial businessmen and reshuffling of provincial governors linked to the Chat Thai party were recorded (see analysis of 1991-92 crisis in Pasuk and Baker 2000). However, in a move to allay the fears among business and the public, the military appointed Anand Panyarachun, a respected businessman and former top diplomat, to lead the new government, while it retained control over security affairs.

Although Anand was at that time chairman of a leading business conglomerate, the new cabinet reflected his bureaucratic background and marked a resurgence of the technocrats in national politics. Senior officers or former officers from major policy-making bodies like the MOF, the NESDB, the BoT, and the Ministry of Foreign Affairs dominated all economic portfolios. By comparison, the Anand government was more technocratic than that of Prem. The technocrats were appointed cabinet members and all economic ministers were directly responsible to the Prime Minister and had no need to consult other organizations such as political parties.

However, the Anand government was different from Prem's in terms of its relationship with non-bureaucratic interests. Political parties were totally excluded from politics. Formal state-business relations were emphasised less, thus JPPCC did not play a crucial role. This may be due to Anand being a leading figure in the business community, meaning that he was already well informed of business agendas and well equipped with business contacts. Because of Anand's crosscutting roles in both the public and private sector, he identified with many groups and was able to mobilize support from both bureaucratic and business interests.

Immediately after the coup, telecommunications politics revealed the fundamental conflicts between the bureaucracy and the political parties over the issue of political corruption linked to privatization. Although the technocrats supported private participation in the telecommunications sector, they were extremely perturbed about the widespread scandals surrounding the political parties (see in detail in Pasuk et al. 1998). Besides filing corruption charges against Chatichai and some of his cabinet members, the new government also removed from office a number of senior bureaucrats including Sriphumi, who had been a key figure in BTO schemes (Banthit, Vimonrat and Somsri, 1994:34). Moreover, the new government passed a new law on 'Private Participation in State Economic Affairs' in 1992, setting out standard procedures to 'ensure transparency, consistency and fairness in the privatization programme, especially for large scale concession projects'. This law guaranteed a counterbalancing role for the technocrats in future BTO projects as a measure to curb political corruption. This law reflected skepticism by the bureaucrats about the politicians as well as the prevalent view among the technocrats that their roles must be maintained to protect the public interest.

2.2.10 The Return of Democracy

The return to democracy after the September 1992 election brought political parties back to power. Although Chuan refrained from intervention in military affairs in order to proceed with political reconciliation and the restoration of political stability, his government began gradual reform of the military institution. For example, the government transferred senior military officers associated with

the NPKC to less important tasks and reduced the number of all three armed forces. Parliament also rescinded the Internal Peacekeeping Act, which allowed the military to use force to restore social order (Buszynski 1994).

The political parties dominated the politics under Chuan was in some ways similar to the period under Chatichai. However, the two governments were different in terms of their relationship with the technocrats. While the Chatichai government tried to exclude the technocrats from the decision-making process, the Chuan government learned to live with them and even recruited some of them to help undertake economic reforms. Chuan once said 'I would like him [Anand] on certain committees as advisory role. Actually, Mr Anand has already lent some help to Finance Minister Tarin and also introduced some people to the government' (Bangkok Post, 19 December 1997).

By allying with technocrats, the Chuan government gained positive public attitude in creating an image of his government as a democratic regime embodying similar technocratic features. This is because the technocratic government under Anand was highly acclaimed for its integrity and effective economic reforms. It became fashionable for coalition parties to appoint non-elected technocrats as Deputy Prime Minister or as key economic ministers to build up the party's image and attract support from the rising middle and business classes¹.

In terms of government-business relations, the Chuan government developed a similar historic bloc as the Chatichai government. Political parties and business rekindled their links with the coalitional government when money politics returned to the fore. This is because the first Chuan coalition government relied heavily on financial and political support given by their parties' factions. In turn political parties, which comprised of a number of MPs headed by a senior politician who financed the party's political activities as well as his MP's election, received an allocation of ministerial positions given to parties and their factions (Matichon, 15 August 1990).

Because the hierarchy of a political party and the quota of ministerial positions depended on the size of financial contribution and number of MPs controlled by each faction, most cabinet members were leaders of major factions who were either immensely popular political figures or wealthy politicians willing to buy the short-lived loyalty of MPs at a high price (Matichon, 14 August 1990, the Nation and Bangkok Post, 15 August 1990). For example, Santi Chaiviratana, a SAP executive member and Deputy Minister for the Interior position revealed that he was forced to resign from his post because he failed to meet financial demands from his party. He said that his party decided to allocate 500 million baht to finance an election, thus demanded that the MOTC and Minister of Commerce provide 250 and 200 million baht respectively (Nation and Bangkok Post, 15 August 1990). This kind of

¹ One of reasons the Chuan government were a majority during the 1992 election was their opposition to the military during the May 1992 crisis.

‘money politics’ (Sakkarin, 2000:103) encouraged close ties between political parties and business, which gave rise to business influence in politics (Sungsidh, 1994). But because of the technocratic elements of the Chuan government, economic reforms were pushed ahead while money politics was somewhat restrained. Nevertheless, the government was not free from political corruption that led to the downfall of the first Chuan government in late 1995.

The rising influence of business grew apace during the subsequent governments of Banharn Silpa-Archa (July 1995-November 1996) and Chavalit Yongchaiyudh (November 1996-November 1997) when the role of the military and technocrats continued to decline. However, economic reforms faltered as political instability caused by factional in-fighting and ‘political cronyism’ drove businessmen and politicians alike to pursue short-term profits and secure lucrative government contracts (Pasuk et al. 1998). The political intervention in the MOF, the BoT, and the Stock Exchange of Thailand under Banharn and Chavalit led to corruption and economic mismanagement that set the stage for the financial crisis that erupted when the Thai baht was forced to devalue in July 1997 (ibid.).

The Financial crisis also sparked public debates about linkages between politics and economics and the growing need to speed up political and economic reforms. This led to the public demanding a new constitution that would reduce money politics and vote buying and the call for good governance, transparency, and economic reforms (Nation 2 May 1998 and Bangkok Post 30 July 1998). These public demands were well realized by the second Chuan government and led to economic, political and social reforms (Nation 2 May 1998 and Bangkok Post 30 July 1998).

As the idea of liberalization penetrated the public thinking and was turned into a hallmark of the first Chuan government’s economic policy, a consensus was reached among major interests to liberalize the industry. Telecommunications politics since the first Chuan could thus be described as the success of the ‘hegemonic project’ in that many interests had shifted positions towards greater acceptance of privatization and regulatory reforms.

3. The Thai State and Labour Formation

Over a long period, Thailand’s rulers restrained the political influence of labour through two main strategies (Hewison and Brown, 1994). First, they ensured there was a large oversupply. The government imported Chinese workers for the three decades to the 1980s. In the 1980s, the expansion of the economy accelerated demand. The government turned a blind eye to the illegal import of labour from neighbouring countries. Second, a number of governments have suppressed labour politics (Pasuk, 1997). They practiced ‘divide and rule to undercut central labour federations’, they used ‘legislation to ban unions’ from political involvement, they deployed ‘force against any

sign of labour militancy', and they 'encouraged other groups such as middle class and the peasantry to believe that worker politics were a threat to stability and economic development' (Sungsidh and Kanchada, 1994). This repressive atmosphere channelled union leaders into 'labourist' strategies, in which union leaders were seeking reforms in wages and working conditions without broader political implications (Sungsidh and Kanchada, 1994).

3.1 Labour during the Drive for Industrialization, 1957-1980: the Bureaucratic Polity

The working class had emerged as a significant social power by the mid 1970s. This was a result of the successful industrial policies of the state. The early phase of industrialization began in the late 1950s, on the advice of the World Bank, initiated with priority given to the promotion of private foreign investment (Sungsidh and Kanchana, 1994:213-4). For example, the First NEDP (1961) focused on the strategy of import substitution (IS). The state changed its role from being a direct entrepreneur to providing support for the building up of economic infrastructure and creating favourable conditions for capitalist development in the country. The IS strategy left at least two durable traces. First, a close collaboration between local entrepreneurs and foreign investors was created. This network later served as the base for export growth in the 1980s. Secondly, rural-urban migration was in expansion (Sungsidh and Kanchana, 1994:214).

The Sarit years were known as the 'dark ages' for labour. Sarit abolished the Labour Act, established in 1956 by Field Marshal Phibun's government. He described the Act's provision as:

...inappropriate. They provided the opportunity for those who would use them as a tool to promote conflict between employers and employees and destroy the understanding and co-operation which exists between them. In addition, they also provide communist instigators with the opportunity to lead employees in inappropriate directions.... All of these things contribute to the destruction of industry and commerce and endanger the development of the economy and the progress of the country (cited in Hewison and Brown, 1994:499-500).

An abolishment of the Labour Act led to banning labour involving in politics. There were a wave of arrests and imprisonment of labour leaders, intellectuals, journalists and politicians. The labour movement was again forced underground and its organizations destroyed.

Trade unionism began to re-emerge in the 1970s. The labour movement started due to their endured suffering working conditions. The labour movement gathered momentum in the early 1970s and were part of wider social protests, which ultimately led to overthrow of the military in 1973.

According to Pasuk (1991), reorientation toward export promotion was suggested by the World Bank and promoted by some sections of local capital, which had some success in exporting manufactures. The shift of economic strategy from IS towards EOI in Thailand occurred simultaneously with political changes from military domination towards greater democracy with increased business influence (Pasuk, 1991).

Although the state promoted private investment in Thailand during 1957 and 1975, it occurred within the context of an authoritarian political system, as described earlier as 'bureaucratic polity'. The bureaucratic polity was a system in which the bureaucracy led political activities and non-bureaucratic forces were unable to get access to political decision making.

The non-bureaucratic forces, including workers, however, gained political space after the 1973 uprising. Although the bureaucrats and the military still held a dominant role in politics, both were pressed to negotiate with other powerful interest groups such as businessmen, organized workers and students. Yet these non-bureaucratic forces were not strong enough to dominate the political arena. The political environment during this period was called a 'semi-democratic regime' (Chai-Anan, 1985) or 'competitive corporatism' (Anek, 1989), in which the political system is characterized by general elections and political competition between pressure groups of businessmen and military men and bureaucrats, with a considerable possibility of political intervention by the army (Sungsidh and Kanchana, 1994:216)

Apart from political change, the IS and EOI led to structural changes in economy in terms of production and employment. In terms of production, the role of agriculture has declined while non-agriculture sectors have expanded rapidly. Table 3.7 shows that the share of agriculture in GDP fell from 39.8 per cent in 1960 to 10.9 per cent in 1999. On the other hand, the contribution of manufacturing and services sectors rose from 12.6 and 9.6 per cent in 1960 to 30.3 and 14.6 per cent respectively in 1999. The Thai economic structure in the late 1970s to the 1990s was therefore characterized by the higher contribution of non-agriculture sectors to GDP.

Table 3.7 Thailand: Gross Domestic Product by Industrial Origin, 1960-1999

	1960	1970	1980	1990	1995	1997	1999
(In percent of GDP)							
GDP	100.0	100.0	100.0	100.0	100.0	100.0	97.4
Agricultural	39.8	28.3	23.2	12.4	11.2	11.2	10.9
Non-agricultural	60.2	71.7	76.8	87.6	88.8	88.8	86.5
Manufacturing	12.6	17.1	21.3	24.7	28.4	28.7	30.3

(continued)	1960	1970	1989	1990	1995	1997	1999
Construction	4.6	5.8	5.3	5.2	7.2	5.7	3.4
Trade	15.2	17.4	16.7	17.6	16.0	16.0	15.5
Banking, insurance and real estate	1.9	3.9	3.1	5.3	7.5	6.8	3.2
Other services	9.6	9.3	12.3	12.3	12.8	13.3	14.6

Source: 1960-1990 from Dixon, 1999: 10; 1995-1999 from International Monetary Fund 2001, Table 3.

In terms of labour market, the change was not drastic. In 1988, more than two-thirds of the employed were still engaged in agriculture. As shown in table 3.8, the non-agricultural sectors accounted for a smaller share of employment than agriculture. In 1986 the agriculture accounted for 63.5 per cent of all labour force. Although the share of agriculture in GDP is declining, majority of labour force was still in the agriculture sector in the mid 1990s and the number dropped to 44.5 per cent or just below half of the total labour force in 2000. In other words, although the number of wage earners from non-agriculture sectors increased, there was not proletarian concentration in the Marxist sense (Sungsidh and Kanchana, 1994:223).

Table 3.8 Employed Persons by Occupation, selected years 1986-2000

Year/Occupation	1986	1988	1990	1992	1994	1996	1998	2000
Professional	868	992	1032	1232	1426	1506	1877	2031
Management	366	434	442	612	669	802	874	943
Clerical	627	813	878	1016	1172	1220	1186	1157
Sales	2519	2838	2688	3206	3434	3840	4178	4440
Transport and communications	695	741	855	1012	1132	1278	1208	1205
Labourers	3160	3521	4053	5599	6202	6892	5586	5996
Services, Recreation	912	1034	1107	1244	1363	1442	1482	1606
Workers not classifiable by occupation	19	8	29	16	7	18	13	7
Agricultural	16050	17342	19755	15929	14355	14163	13862	14058
Total Non-agricultural*	9186	10381	11084	13937	15415	16998	16394	17485

*Total Non-agricultural workers = Professional + Management+ Clerical+ Sales+ Transport and communications+ Labourers+ Services, Recreation+ Workers not classifiable by occupation.

Source: Ministry of Labour and Social Welfare, various years.

Apart from the lack of proletarian concentration, the state also intervened in labour processes. The state extended direct control of workers in order to implement the IS policy. For example, the military governments banned all strikes and trade union activities by imposing Martial Law 1958 and abolished Labour Relations Act 1956. Moreover, the wage policy was based on the fixing of a low price of rice and permitted a compression of the money wage, and hence the cost of production, which was seen as an incentive to foreign investment (Sungsidh and Kanchana, 1994:223).

The political democratization and economic growth resulted from the EOI policy helped labour to gain political space from the mid 1970s. Labour achievement included securing their political space through an establishment of the 1975 Labour Relations Act. The Act set up a complex set of laws, structures and procedures that accorded workers basic rights and permitted them to have a legitimate voice in the formulation of labour policy.

Brown (1997) argues that these developments reflected a general restructuring of state-labour-capital relations. The development of new modes of labour control replaced the repressive controls imposed under the authoritarian. Military-led regimes of the bureaucratic polity period gave way to the new modes of control, which relied less on coercion and emphasized consultation and mediation within an institutionalized tripartite arrangement. In the tripartite arrangement, workers, employers and government were to co-operate in solving industrial conflict and disputation.

Brown (1997) argues that the tripartite should be seen as indirect control of the state over labour. The authorities saw the political exclusion of labour and increased labour discipline as a prerequisite for successful export promotion. However in the new political situation, labour controls became more indirect than before. Apart from its coercive activities, the state has also effectively placed 'restrictions on the exercise of rights by failing to close the many loopholes in the labour law, not enforcing employer complaints and refusing to ratify those International Labour Organization (ILO) conventions which cover the rights to organize' (Brown, 1997:173).

Brown (1997), thus, inserts that this new arrangement might not strengthen labour's political power. By contrast, the proliferation of unions might actually be interpreted as representing a 'disorganization of organized labour' and a consequent undercutting of the capacity of unions to represent the interests of workers (Brown, 1997:170-171). Brown (1997) argues that there were two reasons that could explain the disorganization of labour force. First, the rapid industrialization created movement of labour across a range of industries, thus it is difficult to establish and maintain existing organizations (Brown and Hewison, 1997:14-15). Secondly, capital and state still opposed the labour politics.

Brown (1997:171) argues 'although some sectors of capital have been prepared to accept organized labour, the anti-union resolve of the majority remains strong'. As far as the labour-capital relations concerns, private sector employers have systematically sought to inhibit labour organization. Their strategies included 'uses of short-term contracts: sacking the promoters of union by exploiting legal loopholes: drawing out bargaining negotiations: encouraging splits within union leadership and closing factories to re-open them with newly recruited work-forces' (ibid.).

Regarding the state-labour relations, specific elements within the state have restricted worker autonomy. For example, the military established and sponsored its own labour organization in late 1970s to compete with organized labour which resulted in the break-up of the Labour Congress of Thailand, the strongest and most progressive body of organized labour. Hence, 'such interventions reflected the military's wider mission of managing conflict through political means' (Brown, 1997:173).

Another mean of treating labour issues outside national politics was the state's promotion of tripartism (Sungsidh and Kanchana, 1994:227). There are seven tripartite bodies established during the late 1970s and early 1980s. Some of them are advisory such as the National Advisory Council for Labour Development, while some have decision-making authority such as the Labour Relations Committee (LRC) that acts as arbitrator in state versus enterprise disputes and the Labour Court (LC) working between employers and employees (Sungsidh and Kanchana, 1994).

Intensive state promotion of tripartism in industrial relations resulted in a decline in labour disputes and work stoppages. The number of strikes decreased from 133 strikes in 1976 to 18 strikes in 1980, while the number of labour disputes was 176 times in 1980 compared with 340 times in 1976 (see chapter 5, Table 5.4). This benefited the government in respect of political stabilization and relative autonomy in policy development rather than employees' wages, working conditions and welfare (Sungsidh and Kanchana, 1994:228).

An increase in importance of these tripartite bodies, especially the National Advisory Council for Labour Development, LC and LRC, resulted in another element of the state in limiting the basic right to organize. The numbers of union, federations and councils grew rapidly during the 1980s and 1990s. These developments were directly related to competition among some union leaders to establish their congresses and compete for prestigious seats on various tripartite bodies such as the National Advisory Council for Labour Development and LC. This competition has been facilitated by law itself, which grants each union one vote regardless of the size of its membership. Preferred unions and their candidates have been able to monopolize positions on tripartite bodies, contributing further to labour disunity and a general weakening of organized labour (Somsak, 1991).

3.2 Emerging Labour Force during Industrialization (1980-1990): Capitalist Dominance

There were on-going efforts to inhibit the development of organized labour occurred during the late 1970s and throughout the period of semi-democratic Prem regime (1980-1988). However, the industrialization policies during the 1960s and 1970s, founded principally on cheap labour, developed a strong manufacturing base for the 1980s. By the mid 1980s, the pace of industrial development accelerated with growth rate exceeding 10 per cent a year (Table 3.1). Table 4.6 (chapter four) indicated that the economy was increasingly oriented to commercial and industrial sectors. For instance, agricultural employment fell from 55 per cent under the Fifth Plan (NESDB) to 33 per cent during the Sixth Plan in 1991 (NESDB 6th: 213). In addition, manufacturing exports rose from 32 per cent of the total exports in 1980 to 76 per cent in 1990 (TDRI, 1992). This data implies that Thailand was undergoing an extensive capitalist revolution. The economic and political power of the capitalist class was now being secure.

The economic and political changes resulting from industrialization had accelerated the growth of unions. Industrialization led to the development of wage-labour, which became an increasingly important actor within the Thai political economy (Pasuk and Baker, 1997). The EOI policy led the country from the emphasis on cheap and unskilled labour resulting from the IS policy, toward a better trained, more committed and higher skilled work force (Sungsidh, 1991 and Hewison and Brown, 1994). However, the specific form of capitalist industrialization in Thailand has created not only new classes, class factions and groups, but also a complex multitude of new divisions within the work force, 'by location (rural, urban, metropolitan), by occupation (skilled, unskilled), male and female, child labour, employed and unemployed, producers in advanced and backward sectors' (Hewison and Brown, 1994:502). For example, in 1982 at least one million children aged between seven and eleven years old worked in all sectors, with 48,000 of them in the industrial sector (Division of Labour, 1983). In 1990, of total work force, 1.5 million were defined as being involved in 'household labour' (Department of Labour, 1991). These figures indicated the fragmentation of the work force, hence implying the inhibition of the process of labour organization.

However, as Table 3.9 shows, there was a proliferation of unions during the 1980s, with the unit of organization being the enterprise union. The number of unions grew during the 1988-89 period in the context of rapid economic and industrial expansion. Nevertheless, only 5 per cent of the six million strong work forces was unionized. The SOE unions were healthier than private and public unions, with 74 unions in 20 SOEs while the private sector had 10 unions in 4 companies (Nongyao, 1988:9).

Table 3.9 Number of Labour Organization, Selected Years, 1976-2000

Year	No. of Unions	No. of labour Federations and Councils	No. of Employer Organizations
1976	184	1	11
1980	254	9	13
1982	377	13	14
1984	430	20	17
1986	470	19	17
1988	562	19	19
1990	713	22	21
1991	657	24	21
1992	749	26	22
1994	888	26	113
1996	1015	26	147
1998	999	26	163
2000	1084	28	239

Source: Ministry of Labour and Social Welfare, various years.

The principal union activities include bargaining with employers and the state over wages and conditions, receiving and processing grievances, attempting to ensure the labour law is enforced and representing workers' demands (Hewison and Brown, 1994). Unions pursue these objectives, for the most part, within a decentralized environment. Unions employed various strategies including 'serving on tripartite committees, lobbying politicians, street rallies, strikes, using the press and using the industrial relation machinery itself' (Hewison and Brown, 1994:504). As table 3.10 shows, the number of strikes and the number of working days lost initially rose after the right to strike was returned in 1981. From then on, however, the incidence of strikes decreased during the late 1980s, suggesting that the strategy of using industrial relations machinery such as consultation to limit and contain the level of disputation has been relatively successful.

Table 3.10 Industrial Disputes, Strikes and Lockouts, 1976-2000

Year	Strike			Labour Disputes		Lockouts		
	No.	Workers Involved	Days Lost	Times	Workers Involved	No.	Workers Involved	Days Lost
1976	133	65,342	495,619	340	194,469		N/A.	
1980	18	3,230	5,356	174	58,461		N/A.	
1982	22	7,061	116,795	376	100,959		N/A.	
1984	17	6,742	183,698	86	32,752		N/A.	
1986	6	5,191	157,858	168	27,982	4	544	4,875
1988	5	1,444	32,386	120	29,178	2	640	7,464
1990	7	2,799	22,775	118	35,792	2	1,499	48,792
1992	20	6,614	215,186	195	52,318	14	1,765	23,156
1994	8	4,186	42,933	165	41,353	7	3,944	38,270
1996	17	7,792	44,910	175	51,394	1	890	53
1998	4	1,209	128,872	121	35,897	4	935	84,688
2000	3	2,165	192,845	140	50,768	10	3,804	57,403

Source: Ministry of Labour and Social Welfare, various years.

The privatization plan became an important element of economic reforms in the Fifth Plan (5th NEDDP: 1982-86). To further boost SOE efficiency and accelerate the implementation of privatization, Prem's cabinets showed its commitment to the Fifth Plan and occasionally stepped in to set out policy guidelines. For example, in 1986 the cabinet divided state enterprises into five categories for more effective implementation of the plan and made it clear that no new SOEs would be expanded, except in the areas of public utility and security. Moreover, inefficient SOEs were to be dismantled or privatized while profitable SOEs would require more private sector participation (Cabinet Resolution, 12 June 1984).

4. Conclusion

In summary, this chapter illustrated two main points in the telecommunications development in Thailand prior to the major reform in the late 1980s. First, the development of telecommunications in Thailand reflects its 'twin duality characteristic'. The economic importance of the telecommunications sector brought in the political duality of the telecommunications sector, revealing the changing relationships at the national level between the newly emerging business world of telecommunications and the Thai state. In addition to its dual political nature, telecommunications reflects a spatial duality because it combines many features that link the domestic economy to the regional and global economies.

Second, the Thai state had a relative autonomy in relation to capital and labour. The state autonomy was able to act against the social groups' interests in establishing and executing national policies for the achievement of the state's own political/economic interests. The Thai state controlled capital through the 'Thai-ification' programme, while restraining the political influence of labour through a number of strategies, including 'tripartism'. The civil and military bureaucrats thus were able to rule the country with immunity from the control and direction of non-bureaucratic forces. In other words, capital and labour groups were not strong enough to exert influence on the operation of the bureaucracy.

Understanding the origin of the state power prior to the reform in the mid 1980s is very important for an analysis of the changes of these relationships during the reform in the next two chapters. In chapter 4, it focuses on the spatial duality characteristic of the telecommunications politics. Chapter 5 focuses on the political duality of the telecommunications reform. Attention is placed on the changing role of the Thai state in relation to the emergence of business influence on the implementation of telecommunications policies.

CHAPTER FOUR

The Liberalization of Domestic Telecommunication Policy: In relation to the General Agreement for Trade and Services (GATS)

1 Introduction

In Chapter One, I demonstrated that the telecommunications industry is internationalized. Technology advancement has revolutionized the way people around the world communicate, in which the communities have become a 'global village' linked together by modern communications means. During these development periods, the international environment has been going through a time of adjustment in all aspects, from regulatory reform to standardization in communication-related activities. Hence, the technologies supporting the telecommunications sector and the range of new services have become universal. This has led to the rapid evolution of telecommunications from being a solely national enterprise to an international one. In effect, liberalization has changed the economic and regulatory foundations of telecommunications and consequently, the terms and conditions under which nearly all types of telecommunications are conducted (Noam, 1987).

The internationalization of telecommunications industry was brought about by transnational classes acting through their transnational corporations (TNCs). The World Telecommunications Advisory Council (WTAC) points out that an expansion of telecommunication globally was concurrent with 'the change in customer attitudes and behaviour'. Business users realized the strategic significance of telecommunications for business competitiveness and this has fuelled the pressures for both deregulation of the industry and for a move to cost-based pricing (ITU, 1993). Thus, a much changed telecommunications environment exists today: one where the provision of services and resource are transmitted by advance technologies under highly liberalized conditions (ITU, 1989).

The OECD refers to the changing international landscape in the description of the telecommunications marketplace. For many of the 24 industrialized member countries of the ODEC 'the demand for telecommunications services is now not so much concerned with obtaining access to network (telephone lines, for example) as universal service and access have been attained. Rather the demand is for customized solutions, mobility, flexibility and efficient service offerings at cost-oriented prices. Standardized services are not always appropriate for large users and the trend in service development is toward a merging of voice, data and video functions' (OECD, 1993).

It is this setting into which all telecommunications organizations have competing interests to provide either domestic or international services. A large number of countries in all regions of the world are currently engaged in telecommunications sector restructuring. The ITU reported that its member states are 'replacing monolithic by multiple network service structures and establishing autonomy in planning, management and finance of operating entities' (ITU/CTD, 1991). Mosco (1996) argued that these changes in corporate and industry structure, as well as changes in technologies and services in telecommunications have come about with the active legal, regulatory and policy direction of the state.

The state responded to changes in the telecommunications industry differently. Mosco (1996) suggested that there are four processes that characterize current state-constitutive activity. The first is commercialization, which refers to a replacement of regulation forms based on public interest, public services and related standard with market standards that establish market regulation (pp.202). In telecommunications, commercialization means building and organizing networks and services with a greater concern for those customers, principally business, for linking metropolitan networks in global networks and for generating revenues. Commercialization has led state telecommunications authority to separate telecommunications and other revenue-generating activities from postal and other services, which are mandated by constitution or legislation.

The second process is liberalization, which refers to a process of state intervention to expand the number of participants in the market, typically by creating competition between service providers (Mosco, 1996:202). Supporters of liberalization contend that the process lowers prices, expands services and speeds up the process of innovation. The state supports liberalization by introducing private competitors into the market.

Thirdly, privatization is a process of state intervention that literally sells off a state enterprise. This process is a response of state activities to a numbers of reasons, for example governments ideologically committed to private control over economic activities, the attraction of fresh revenues and the pressures of transnational businesses and governmental organizations, such as the IMF and the World Bank (Mosco, 1996:203).

Finally, the state asserts its role in the process of internationalization. This means the states integrate them in different teaming arrangements or strategic alliances, such as the North American Free Trade Agreement and the Group of Seven. Internationalization also brings about specific state organizations, such as the GATS, the World Bank and the IMF. Internationalization is particularly important in the telecommunication industry because the transnationalization of telecommunication networks requires some degree of interstate coordination (Mosco, 1996:203-4).

This chapter focuses on the internationalization process. In the previous chapter, Cox's argument was presented. According to Cox, the process of internationalization refers to a process of interstate consensus formation. The consensus entails a coordination of policies and practices, which support or do not obstruct a common ideological framework of open economy. Internationalization requires the state to internalize structures of states so that each can best transform the global consensus into national policy (Cox, 1987:254).

1.1 International Regime and Developing Countries

The growing importance of the market as an institutional mechanism that influences the production and consumption of trade and services in telecommunications means that the rules operating on a regional or global scale need to be very closely coordinated with the evolving structure of national, regional and international markets. This study's standing point is in line with an argument that governments and often those from the private sector have a very important role to play in establishing the 'rules of the game' for international and national markets (Hirst and Thompson, 1996). In the telecommunications field, the development of global networking capabilities depends on the working out of complex administrative agreements at national, regional and international levels. The World Bank's (1997) report emphasized the important role of international institutions in coordinating the actions of national and regional governments. These institutions embody the norms and rules that are shaping the landscape of the market for telecommunications. It also recognized the capacities, resources and power of the state. Capacity in this context means the ability of state institutions to undertake and promote collective actions. The state's ability to promote and mediate change in pursuit of collective ends is unmatched (World Bank, 1997:3, 157).

The importance of individual state roles means that the impact of international regimes on telecommunications is not a one-way direction from the international to the regional and to the national. National and regional initiatives can make a substantive difference to the outcomes depending on whether there is a proactive or reactive strategic response to telecommunications development, acquisition and use (Ure, 1995). A report on Information Technology development from the UNCSTD summed up the role of the state in responding to the global telecommunications system as follows:

...national responses (to the global community) range from being complete and positive to being partial, disengaged and reactive. Some countries have ambitions

to learn and create strong policies at home and take a full part in global debates and negotiations. Some want to respond but lack the resources. Others are unresponsive to the challenge. Again, this need not be a split between government and the private sector. Governments must lead, but the whole country must learn (Howkins and Valantin 1997:25-6).

The above quotation implies that in today's international system, any country that tries to strengthen its national telecommunications infrastructure must do so in interdependence with the global environment. The representatives of governments and the private sectors of developing countries are finding it necessary to negotiate with an increasingly wide range of influential international institutions. These institutions influence telecommunications investment, production and user capabilities. They include private and public banks, regional services supply bodies, international regulatory agencies and private sector associations. They can make it easier or more difficult for a country to pursue its national goals by providing or withholding resources respectively. This leads some observers to suggest that the roles of government institutions in the telecommunications sector are reduced (See Chapter one for a detailed discussion).

1.2 Internationalization and Its Effect on Telecommunications Policy: Case Study of Thailand

This chapter considers the implications of a liberalized telecommunications trade regime by considering the example of telecommunications policy formation in Thailand. How will liberalized trade in telecommunications services affect the formation of Thai telecommunications policy, and the role of the Thai State in telecommunications service provision? In order to examine the implications of the liberalization of international service trade and investment institutions for Thai Telecommunications policies, multilateral trade negotiations in services in the General Agreement on Tariffs and Trade in Services (GATS) were the first in which the applicability of trade concepts to telecommunications was tested. It is argued that trade in telecommunications services significantly reshapes the relationship of different international organizations and the role of the Thai State in telecommunications policy formation and service provision. However, this chapter examines the notion that the State is losing its autonomy through internationalization of the State. It rather argues that the State has 'indispensable functions'. The state has to perform in a capitalist society from guaranteeing property and contracts, to dismantling obstructions to markets, to ensuring the soundness of money (Cox 1987: 132-3). Nevertheless, this chapter questions the notion that the state is acting as a mediator or transmission belt for the global regime.

The case study of the role of the Thai state in telecommunications industry development in the following sections uses the General Agreement on Trade and Service (GATS) and ASEAN Framework Agreement on Service (AFAS) Negotiations to show first, if the Thai state is losing its power through internationalization. Second, whether the Thai State acts merely as a transmission belt of global liberalization trend by internalizing its telecommunications policy, or lastly, whether the Thai state mediates adherence to the logic of international capital competition, as well acting as a buffer protecting national industry from global market.

1.3 The case of GATS Agreement on Telecommunication Trade and Service

The Thai Telecommunications Master Plan 1997-2006 (TMP) could be said to be partly a result of a commitment given by the Thai state to WTO. One of the main policies of the Plan is to gradually liberalize telecommunications industry, a process that will lead to full liberalization by 2006. Liberalization of the Thai telecommunications industry policy is in accordance with GATS, which promotes the liberalization of international trade. The GATS sought to liberalize trade through a series of multilateral negotiations where the trading nations each agree to reduce their own protection barriers in return for freer access to each other's markets. According to this direction, foreign investors are to be allowed to participate in the Thai telecommunications industry after 2006.

Table 4.1 illustrates the current stage of telecommunications development in Thailand. It is clear that most of sectors, PSTN, Data communications and Mobile PHS/PCS, are still monopoly. Although some sectors such as mobile communications, services-based carriers and equipment allow competition, it is in the forms of Build-Transfer-Operate (BTO) schemes, in which state owns all telecommunications resources but grants concessions to private companies. However, this structure is changing towards more competition and fully competition of all sectors by the end of the TPM plan (2006).

Table 4.1 Market Liberalization Time Frame

Market Segment		Status Quo		Deregulation Transition Period						Full Competition			
		Year											
		1	2	3	4	5	6	7	8	9	10	Onward	
Type I (Facilities-based Carriers)													
PSTN	Local	M	RD				PC			C			
	Trunk	M		D				C					
	International	M		D				C					
Data	X.25	M		D				C					
Communications	Leased Lines	M		D				C					
Mobile Communications	Analog cellular	D		C									
	Digital cellular	D		C									
	Paging	PC											
	PHS/PCS	M		RD			C						
Type II (services-based carriers*) including Trunk & International		PC		C									
Type III (Terminal Equipment)		PC		C									

Notes: M = Monopoly

RD = Regionalized Duopoly

D = Duopoly

PC = Partial Competition (Certain areas)

C = Full competition

* = Except Type II Domestic and International voice services which will be reserved until the beginning of year 5.

Source: Telecommunications Master Plan, 1997-2006; 6

The current trend towards globalization of markets reinforces the consensus opinion among states of defining a common core of legal standards exemplified by organizations such as International Telecommunications Union (ITU), World Intellectual Property Organization (WIPO) and Telecommunications Working Group (TELWG). ITU addresses specific issues in radio communications, standardization and development (Mansell and Wehn, 1998:183). WIPO

administers international conventions for the protection of trademarks and copyrights and offers assistance to countries in formulating intellectual property protection (ibid). TELWG was set up by the Asia-Pacific Economic Corporation (APEC) to work on human development, technology transfer, regional cooperation and telecommunication standardization (ibid). The GATS is the most recent example for legal harmonization of telecommunications trade regulations, which established trade-in-service rules for telecommunication businesses engaging in domestic and cross-border activities.

In general, government participates in markets as consumer, supplier and regulator. As regulator, governments can effectively control markets as strictly as they desire. Control mechanisms the governments use are for example, price structure, product quantity, or entry and exit of the market. The step towards liberalization of trade in services in telecommunications industry means a significant reduction in border measures, and consequently activity that can hamper foreign firms competing with domestic firms inside national borders. Regulatory reform is therefore a pre-requisite for Thailand in joining the international telecommunications system. In the Thai telecommunications equipment industry, for example, Sumeth (1992:16) concluded, 'the main reason for (foreign companies especially from Japan and Taiwan) relocating to Thailand in the first place was to take advantage of the country's low labour costs, promotional incentives, General Service Provider privileges, and to side-step looming trade friction. At the same time, cumbersome procedures and the complicated records required to keep exports separate from local sales for import tariff and tax settlement proposes, greatly discourage these manufacturers from selling part of their quota on the local market'.

The attempt for market integration of telecommunications industry, in particular to attract the massive flow of international capital to emerging markets such as those of Thailand, has exposed the legal and institutional environment of these countries to pressure they were often not able to withstand. Nevertheless, a common feature of international legal bodies is their non-binding nature (Pistor 2000:3). That is all legal bodies take the form of recommendations directed at the members of their organizations. For instance, GATS Article IV, para. 1 states that the developing country members shall be facilitated through *negotiated* specific commitments. In an environment such as Thailand where both state and individual firms are members of a number of international organizations, the pressures come from (1) state policy makers, (2) a bottom-up dissemination of standards through their adoption by individual companies, and (3) a lobbying effort for legislative change to incorporate the organizations' standards into domestic law (Sudharma, June 30, 2000).

There are three main parts of the GATS this study analyzes. The first part is Part II General Obligations and Disciplines. This part will affect Thailand the most because they are principles that

apply to all members and, for the most part, to all services. The second place the study will look at is Part III Specific commitments and the third is Part VI Telecommunications Annex and Annex on Negotiations on Basic Telecommunications. This section will illustrate that international regime has little effect on Thailand because some common features of GATS gives the Thai state a room to manoeuvre its role.

1.3.1 The Framework of Principles and Rules: What are the legal obligations for Thailand?

The GATS is the first multilateral legally enforceable agreement to cover trade and investment in services. It aims to end arbitrary regulatory intervention, to assure predictability of laws and to generate growth in trade and investment (WTO Secretariat, 1999). It creates a framework of multilateral principles and rules for the liberalization of trade in services. Because regulations reflecting these objectives affect the supply of services in various ways, GATS obligations arise from negotiations, rather than flowing directly and automatically from adherence to the framework agreement itself (WTO Secretariat, 1999).

The end result of these negotiations appears in the schedule of specific commitments of each member (See Table 4.11 for Thailand). A country cannot become a member of GATS without having accepted at least some specific commitments, which are conditioned by the basic principles to assure effective market access (TDRI, 1996). There are disciplines on market access, national treatment and various regulatory matters that have to be respected by members (TDRI, 1996). In addition, a number of other disciplines such as those on state monopolies and restrictive business practices also apply to trade policies and practices to avoid circumvention or nullification of obligations undertaken (WTO Secretariat, 1999).

The GATS conditions affect government regulations on trade in one way or another and the presence of foreign suppliers in markets. The set of rules attempts to produce a more level competitive field. It ensured that *standardized signs*, indicating limitations and restrictions, are erected. It also set the traffic management code that governments have to abide by, when laying down the rules and positioning the signs (TDRI, 2000).

The GATS structure is based on the notion that full liberalization of trade in services requires disciplines for regulating measures governing the supply of services, in addition to those of MFN treatment and transparency. A member's obligation will depend on the type of measure. Broadly speaking, the GATS regulates measures around three concepts:

- (i) nation treatment,
- (ii) market access, and
- (iii) domestic regulation.

The following section examines (A) Part II, (B) Part III and (C) Specific Commitment of the GATS and its effect on Thailand. The analysis focuses on the three concepts of the GATS as indicated above. Summary of the rules and disciplines and their impact on Thai telecommunications Laws is given in Table 4.1 to 4.4. The summary is based on data collection from interviewing.

(A) GATS Part II General Obligations and Disciplines.

Part II in GATS sets out ‘general obligations and disciplines’. These are basic rules that apply to all members and, for the most part, to all services.

(i) *Article II Most-Favoured-Nation (MFN)*

The first principle of GATS I examine is Most-favoured-nation (MFN) clause (Article II). MFN is a key principle in international trade on which the GATT was based from the outset. This principle obliges member countries to give the most favourable treatment to their trading partners and the other members immediately and unconditionally. It forbids discrimination between third countries. The GATS also incorporates the same principle, states that ‘with respect to any measure covered by this Agreement, each Member shall accord immediately and unconditionally to services and service suppliers of any other Member treatment no less favourable than it accords to like services and service suppliers of any other country’ (WTO Secretariat, 1999).

This obligation is applicable to any measure affecting trade in services, and in all sectors, whether specific commitments have been made or not (Duenden, October 20, 1999 and June 21, 2000 and Sudharma, June 30, 2000). Most favourable treatment is defined as the best treatment granted to any third country, irrespective of whether or not the country is a WTO member (WTO Secretariat, 1999).

However, the GATS recognized that full liberalization in some service sectors could not be achieved, and that liberalization subject to some temporary MFN exceptions would be preferable to no

liberalization at all (WTO Secretariat, 1999). The result was that more than 70 members, including Thailand made their schedule to service commitments subject to a further list of exemptions from Article II (See Appendix I). However, these exemptions are subject to a time limit as well as to negotiations in future rounds. At this stage, it can be thus said that GATS Article II may not have much impact on Thailand (TDRI, 1996 and Sudharma, June 30, 2000). However, with the GATS in force, it is much more difficult for members to obtain an exemption. This is because approval is necessary from three-quarters or more of members, and the justification for the inconsistent treatment is subject to annual review under the WTO waiver procedure (WTO Secretariat, 1999).

(ii) Article III Transparency

A second basic principle is that of Article III on transparency. Traders will be badly handicapped in doing business in a foreign country unless they know what laws and regulations they must follow. This problem is serious for trade in services because so many of the relevant rules are domestic regulations. The GATS requires each member to publish promptly 'all relevant measures of general applications' and to 'notify the Council of newly changed laws, regulations or administrative guidelines' (Article III, Para. 1 and 2). Each member is required to establish, by the end of 1996, 'an inquiry point to respond to requests from other members for information' (Article III, Para. 4). In this section, since Thai laws do not require publication, it is likely that other members will have a complaint against Thailand (Sudharma, June 30, 2000). Sudharma (June 30, 2000) said that 'the Thai state thus has a duty to amend its laws, or to provide an administrative directive such as publication of laws, regulations, administrative guidelines and other decisions and ruling to effect to bring into the transparency principle'. An adjustment in this respect may include the requirement of GATS in Article XIII on Government Procedure as well as Article XVI on Market Access (Table 4.3), because 'Thailand has no guidelines on these matters' (Sudharma, June 30, 2000).

(iii) Article VI Domestic Regulation

The domestic regulation Article establishes the general principle that domestic measures must be administered in a reasonable, objective and impartial manner (WTO Secretariat, 1999). This means foreign suppliers can challenge administrative decisions before a tribunal. A member has to inform foreign suppliers if an application for authorization is rejected (Article VI, Para. 3). Although the GATS is not a standard-setting body, members must show 'conformity of their domestic regulations

according to standard set by ‘relevant’ international organizations’ (Article VI, Para. 5(a)). In Thailand, there is no legal principle that can be applied to satisfy this requirement (Sudharma, June 30, 2000). This Article may constitute a cause of action for other members. For example, SIEMEN once launched a claim against the TOT that its proposal in the Transmission Construction Project was more feasible and reasonable than the competitor and asked the government to undertake an investigation (Sudharma, June 30, 2000).

In summary, most rules in Part II (See Appendix F) are intended to ensure that benefits under the GATS are not blocked by domestic regulations. For instance, Article VIII on state trading states ‘a monopoly supplier of a service must not to be allowed to act inconsistently with a member’s MFN obligations or its specific commitment (Article VI, Para. 1), nor to abuse its monopoly position (Article VI, Para. 2), unless a member negotiate compensation with suppliers (Article XXI, Para. 2 (b))’. It is perhaps difficult for Thailand to rewrite a rule of monopoly in a non-discriminatory fashion, given its history of state monopolies. Although the Joint Venture Act of 1992 is applied in Thailand, the MOTC, TOT and CAT do not participate in the issuance of this regulation (Sudharma, June 30, 2000). In the same line of argument, Pansak and Noppanat (July 7, 2000) argue ‘in all negotiations, Thailand should exercise all rights available to protect our telecommunications industry, which is still an infant stage of development. For example, the government could use Article XII, on restrictions to safeguard the balance of payments, which sets out to allow members in serious balance-of-payments difficulties to restrict trade in services to maintain a level of reserves adequate for their development or transition programmes (Article VI, Para. 1)’.

Summary of GATS and its impact on Thailand

The following tables (4.2, 4.3, 4.4 and 4.5) summarized the impact of GATS on the Thai telecommunications laws. Tables outline Thailand commitments to GATS. Column ‘Clause’ refers to GATS rules. The ‘Impediments’ refers to the differences the Thai telecommunications laws and regulations from GATS and thus may obstruct implementation of GATS rules. ‘Adjustments’ column refers to recommendations the telecommunications committees urge the Thai government to follow. In case that the committees did not recommend an adjustment, reasons, in the context of GATS rules, were given in ‘Miscellaneous’ column. Data in these tables were compiled from Interviews with Dr. Duenden, Noppanat, Pansak, Asso. Prof. Sudharma and Dr. Sumeth, and from documentation from the Communications Authority of Thailand (1993). The data therefore represented an interpretation of individual views and an informal recommendation to the CAT. It may not represent the final commitment Thailand gave to the GATS.

Table 4.2 Article II Most Favoured Nation (MFN)

Clause	Impediments	Adjustments	Miscellaneous
Non-discrimination	<ul style="list-style-type: none"> Acceptance of commitment is building. May provide exemption but must be 'reasonable and non-discrimination'. 	None	Art. II, 3 may be applicable to 'contiguous zone'. This may not have much impact on Thailand, as Thailand is a service taker and buyer of technology.

Table 4.3 Article III Transparency

Clause	Impediments	Adjustments	Miscellaneous
To publish promptly all relevant measures of general application.	Thai laws do not require publication.		
To promptly inform the <u>Council for Trade</u> in service of the introduction of any new or any changes to existing measures of general application.	<ul style="list-style-type: none"> No decision complying to appoint agency. Documents are not published. 	Publication of all laws, etc. required by GATS required law amendment, provision of an administrative direction to effect the transparency principle.	The phrase 'measures of general applications' covers law, regulations, administrative guidelines or any other decisions and rulings.
Each member is obligated to respond to all requests for specific information by other members of any measures of general application.	None	Need to appoint an enquiry point and monitor progress in international forum.	
Each member must notify the <u>Council</u> any measures taken by another member, which it considers, affect the operation of the GATS.	Complaint by other members.		

Table 4.4 Article XVI Market Access

Clause	Impediments	Adjustments	Miscellaneous
Compliance with the MFN clause and non-discrimination.	No laws or decisions have ever been made to apply MFN treatment in the telecommunications sector. The rules in telecommunications must be applied indiscriminately to all providers.	Need a clear guideline, policy or regulation to ensure market access to all providers in sector/services that have been opened up.	
A member shall not provide limitation on the number of service suppliers.	Thai law grants monopoly to the TOT and CAT, which grant BTO contracts giving conditional monopoly to the contractor.	To adopt guidelines, regulations or ruling to ensure compliance with this Article.	
A member cannot limit the total value of service or assets or total number of service operation.	Impediment on the total value or asset but limitation on service operation is in force.	Clearer objectives and rules of monopoly.	
A member cannot prescribe specific types of legal entity or joint venture through which a service supplier may provide a service.	Existing laws prohibit others from engaging in the service.	Clearer objectives and rules of monopoly.	
A member cannot limit foreign participation in term of capital or shareholding limit.	Existing laws do not allow foreign firm to participate in service provision.	Amend the existing laws and regulate service providers.	

Table 4.5 Article VI Domestic Regulation

Clause	Impediments	Adjustments	Miscellaneous
<ul style="list-style-type: none"> • A member has an obligation to ensure that all measures of general application are administered in a reasonable, objective and in an impartial manner. • Each member must maintain or institute judicial, arbitral or administrative tribunals or procedure as requested by service supplier for the prompt review of the claim. Member must also provide an appropriate remedy with objective and impartial review. 	<ul style="list-style-type: none"> • Thai laws are not transparent. This Article may constitute a cause of action for other members. • No legal principle can be applied to satisfy this requirement. • Thailand may have to follow guidelines of the Council. 	<ul style="list-style-type: none"> • To provide a more transparent, accountable system of law. • The bidding regulations must correspond to the criteria of objectivity, reasonableness and impartiality. • Adopting a review scheme of administrative decision in an objective and impartial manner. 	

(B) GATS Part III Specific Commitments

Part III sets out the rules, which, together with Part I (mode of supply), have shaped each member's commitments to admit foreign suppliers of services to their markets. Two main articles, Market Access and National Treatment deal with market access and national treatment. Another article, Specific Commitment deals with specific commitment, which applies only to schedule sectors and included in this case study, telecommunications.

(i) Article XVI Market access Clause and Article XVII National treatment Clause

Market access and national treatment clauses relate to terms, limitations and conditions agreed and specified in its schedule. In general, national treatment crucially embodies the principle of non-

discrimination between foreign and local bodies. The main operative wording states that 'each member shall accord to services and service-suppliers of any other member, in respect of all measures affecting the supply of services, treatment no less favourable than that which it accords to its own like services and service-suppliers' (Article XVII, Para. 1).

National treatment in the GATS thus not only applies to imported services, but also to the service-suppliers in the market. Compared with the GATT, where obligation relates to imported goods only, national treatment in the GATS has a greater regulatory power, despite its being a negotiated commitment.

In guaranteeing the national treatment basis, GATS requires governments to inscribe in their schedules any conditions and qualifications on their grant of national treatment (Article XVII, Para 1). The national treatment column is intended to show any discriminatory qualitative restriction, whereas any measure that affects both market access considerations and national treatment inextricably should appear in the market access column. For example, the Thai state declares in its specific commitment for telecommunications sector that an entry to the telecommunications market requires the company to be the Thai registered company with foreign equity share not exceeding 40 per cent. There is also a requirement that a foreign person hired by all service sectors must be manager or specialist only (Table 4.12)

The market access clause (Article XVI) relates to four modes of supply (See Appendix J), and provides a framework for each member to adhere to the national operative. However, the GATS do not define clearly the concept of market access. For example, there is no obligation in the GATS to grant a service-supplier the right to enter the market to do business in this preferred manner (Article XX, Para. 1). Market access has to be negotiated by sector and mode of supply. A member is only obliged to grant market access to the extent provided for in its schedule of commitments.

A member is entitled to enforce some limitations on market access. These limitations include, for example, the number of service operations, the number of natural persons supplying a service, or the participation of foreign capital. A country is deemed to have granted full market access if it has not negotiated the right to impose any limitations can be inscribed 'None' in its schedule of commitments in the market access column (See Table 4.12 and Appendix I), indicating that there are no limitations. If a particular form of market access - be it limited or unlimited - is inscribed in a schedule, it has to be granted on an MFN basis. A market access commitment in effect entails a standstill obligation. This is because a country cannot change its regulations in a way that would make access impossible or restrictive.

(C) Specific Commitment: The Annex on Telecommunications

The Telecommunications Annex is independent of the specific commitments that individual WTO members may have made to open up their markets for telecommunications services. Essentially, it focuses on one issue: the right to make use of public telecommunications networks and services. This issue is important to the supplier of almost any service. Each member is required to ensure that all service suppliers seeking to take advantage of any commitments included in its GATS schedule are allowed access to, and the use of, public basic telecommunications 'on reasonable and non-discriminatory terms'. 'Non-discriminatory' is defined to mean not only that the foreign service supplier will receive MFN (Article II: Most Favourite Nations Treatment) and national treatment (Article XVII: National Treatment) but will also be able to 'use the telecommunications networks and services on terms and conditions as good as those enjoyed by any other user in similar circumstances' (GATS Marrakech Declaration Final Act Para. 5 (a) Annex on Telecommunications).

Rights under the Annex apply to all available services such as telephone, telegraph, telex, and data transmission, but not the transmission of radio or television programming. This implies the support of the right of access and use (Article XVI Market Access). This includes rights to buy or lease equipment needed to connect to the public telecommunications network, to connect private circuits with the public system or with other circuits, and to use the public network to transmit information, including information from computerized databases, both within the country concerned and to or from any other WTO member. The Annex allows developing countries to place some limitations on access and use if this is necessary in order to strengthen their telecommunications capacity, but any such limitations have to be specified in their GATS schedule.

(i) How the Annex on Telecommunications affects Thailand?

For Thailand, the acceptance of telecommunications (trade in service) liberalization is more closely related to a forward-looking approach of the anticipated benefits from such a reform (Duenden, October 20, 1999 and June 21, 2000; Pansak and Noppanat, July 7, 2000 and Koson, July 7, 2000). Although Thailand attracted a large influx of FDI after partial deregulation of the

telecommunications industry in 1987¹, Akrasanee (1991) concluded that the local industry has not gained substantially from technological spillovers and other benefits associated with a strong FDI presence. The government thus, 'should consider procurement for future telecommunications expansion to help nurture local firms, promote industrial linkages, access and acquire foreign technology, and maximize spill-over effects' (Sumeth, 1992). This can be done by extensive use of government procurement to guarantee specific products, as in other countries such as the US, UK, France, Japan and China (World Bank, 1990). In theory, market access or national treatment requires the government to remove all measures, which limit cross-border supply, consumption abroad, commercial presence or the temporary entry of natural persons. In practice, however, virtually all commitments on service activities contain limitations to either market access or national treatment (Sudharma, June 30, 2000).

The patterns of limitations on commitments of Thailand (See Appendix I) are first, the exclusion of cross-border supply from commitments ('None' in Mode 1). Since cross-border supply is considered to be a substitute for the supply of services through commercial presence in many service activities, the exclusion of this mode of supply implies an aim to attract foreign investment (Duenden, October 20, 1999 and June 21, 2000).

Secondly, the limitation on commercial presence, which Thailand uses, is a specific legal entity. For example, enterprises are required to incorporate, through for instance joint venture. Joint venture strategy allows the state to gain access to development and technology transfer. The state is also able to retain a degree of indigenous control while providing the environment for local companies to become substantial players. The joint venture itself is subjected to a national legal structure, which limits foreign equity participation to 40 per cent. A company has to operate under the built-transferred-operated concept, and all companies must use public telecommunication network under national telecommunication authorities. National network specification is a reflection of local conditions such as traffic levels and patterns of customer usage and regulatory peculiarities, such as, which authority has control of the radio frequency.

The Thai governments have adopted varying approaches to the development of their telecommunications industry, and their national aspirations do not always coincide with the commercial objectives of overseas suppliers. Controls on the flow of hard currency, local job creation and technology transfer are the bullet which overseas suppliers have had to bite in order to achieve access to Thai markets (Sumeth, October 20, 1999). In return, the Thai governments have had to

¹ From 1987 to 1990, Board of Investment (BOI) approved 430 telecommunications equipment and electronics projects, with a combined investment of 106 billion baht, as compared to only 50 projects.

reconcile national sovereignty issues with the need for foreign resources. An example of this case is the three-million-line telephone project under Minister Montri Pongpanitch (see detail in chapter six).

Originally, the project was planned by TOT with the intention to use the repeat-order method. However, before the project started, Montri was approached by British Telecom with a proposal to install one million telephone lines on a Build-Operate-Transfer (BOT) basis (in Thailand BTO is an operating system). To assure the project's viability, Montri asked for a one billion baht guarantee and a six-month negotiation period. British Telecom withdrew but other overseas companies such as Mitsui, Toyomenka, Alcatel and Erickson expressed their intention. This led Montri to issue an open invitation to attract all prospective investors to secure the best terms of contract for the government (Naew Na, 2 February and 8 August 1987). Decisions of this nature inevitably distort the framework for future telecommunications projects, since suppliers adapt their market entry strategies to take account of local conditions.

Nevertheless, Thailand could gain expertise from overseas carriers. Nynex Network Systems Company, (the overseas operating arm of the US regional Bell Company) for example, has sought infrastructure development opportunities in Asia, which allow it to use its expertise as a telecommunications carrier along with its technology vision of integrating cable TV and telephone services on a common network. Nynex has invested a 13.5 per cent stake in TelecomAsia Corporation, which is building a two million-line overlay telephone system in Bangkok. TelecomAsia has planned to deliver cable TV services starting in 1995 using the same telephone network, but operating under a separate franchise agreement with the Mass Communications Organisation of Thailand (TelecomAsia Annual Report, 1996-2000; Vallobh, July 18, 2000).

An additional limitation is that the 'entry for senior personnel as intra-corporate transferees' (Mode 4) is subject to an economic test. Most countries in the region have liberalised the supply of telecommunications equipment, but overseas involvement in the management and operation of networks remains a sensitive issue (Duenden, October 20, 1999 and June 21, 2000). Most Asian countries maintain strict limitations on the level of foreign involvement in managing the national telecommunications infrastructure (Pansak and Noppanat, July 7, 2000). Therefore, direct equity participation, or direct foreign investment, by overseas carriers is the exception rather than the rule (Duenden, October 20, 1999 and June 21, 2000).

However, an associated trend with the growing international competition is the growing necessity for developing countries to improve their standards of telecommunications management (Pansak and

with a combined investment of just 16 billion baht during the two and a half decades from 1960 to 1986 (Sumeth 1992: 15-20).

Noppanat, July 7, 2000, and Duenden, October 20, 1999 and June 21, 2000). In the increasingly competitive market for sources of international finance, these developing countries require foreign consultancy expertise to put their operations on to a more business-like footing in order to satisfy the requirements of international lenders such as the World Bank, the Asian Development Bank, foreign governments and commercial lenders (Pistor, 2000).

In summary, the preceding section of this study has explained some of the framework of GATS and its impact on Thailand. These various provisions, shown in table 4.2 (Article II Most Favoured Nation (MFN), p. 128), 4.3 (Article III Transparency, p. 128), 4.4 (Table 4.4 Article XVI Market Access, p. 129), 4.5 (Article VI Domestic Regulation, p. 130) and 4.12 (The Limitations of commitment of ASEAN countries, p. 148), have the effect of redesigning the Thai state role in telecommunications industry reform to fit the framework of the GATS. The Thai state is acting as a 'mediator' or 'transmission belt' of global interests in liberalization policy, for example by committing to the 'progressive liberalization' of telecommunications, which will lead to opening Thai telecommunications market for all interests. However, it is also shown how Thailand has made specific commitments to bind and liberalize access to the national markets. As has been shown in table 4.11, a very important characteristic of some central rights and obligations of GATS is that their practical value for the supply of services to any particular country depends very largely on the specific commitments that that country has assumed in its service schedule.

Another feature of the GATS (and other international bodies) is that they tend to be general in nature rather than specific, and leave ample scope for their interpretation to policy makers and law enforcers (Fredebeul-Krein and Freytag, 1999). Rather than harmonising highly specific rules, the standards aim only at establishing the principles for such rules. In principle, countries can therefore choose not to adopt these standards and are free to modify them where appropriate. Fredebeul-Krein and Freytag (1999: 626) argue 'the impact of the WTO agreement could prove to be rather modest. This is because many exemptions in form of sectoral reservations, limits to foreign investment and phase-in commitments over various periods of time are likely to undermine market access and national treatment commitments'. This opinion is also voiced by Sudharma (June 30, 2000) as follows.

If we want to standardise the rule as a legal one that will be consistently applied across different jurisdictions, we need to agree on some of the basic concepts behind the rule. Otherwise, standardisation will remain at the surface of very diverse legal concepts that give a different meaning to identical rules when applied in different contents.

In this sense, Sudharma gave the Internet sector as an example. He explained that there are a number of committees overlooking the development of the Internet: the MOTC, the Ministry of Science,

Technology and Environment and the National Information Technology Committee. However, none of them ever define what the Internet is and in which policies the Internet should be included, telecommunications or broadcasting services. Therefore, the Internet business is born unplanned and as a result, the government has no clear vision of how to develop it (Sudharm, June 30, 2000).

Moreover, the aim of standardisation is to minimise deviations from the standards, lest the very purpose of standardisation is undermined. Most standard-setters are therefore quite explicit about the need to abide as closely as possible to the standards (Sumeth, October 20, 1999). Adapting to international legal standards, to attract foreign capital for instance, means that each country must relax rules in the relevant areas of law, including tax, Labour Laws, environmental protection and financial market regulation (Pistor, 2000). However, some critics argue this may lead to choosing the wrong rule - the lowest common denominator instead of the most efficient rule (Pistor 2000:4). Some argue that this is not the case because competition among regulators will accelerate change and lead to efficient rules being implemented (Sumeth, October 20, 1999). Experience will teach regulators that in the long term, they will benefit from adequate protection of investors and a high quality legal system (Pansak and Noppanat, July 7, 2000).

However, this argument is not the only reason for or against adopting international standards for certain areas of the law. Other reasons are, for example: the presence of externalities; the non-efficiency of unilateral rules; political economies of scale; and transparency (Duenden, October 20, 1999 and June 21, 2000). In the case of Thailand, the endorsement that legal standardisation has received from the IMF and the World Bank strongly suggests that these standards may serve to assess the quality of domestic laws in the future. It also leaves open the possibility for them to be used as condition in loan agreements (Duenden, October 20, 1999 and June 21, 2000).

Nevertheless, the voluntary and non-binding nature of GATS gives countries greater scope for taking an active role in the reception of these standards and their transformation into domestic law. For example, Article III of the GATS (transparency) does not impose any specific obligations with regard to the content of national laws or regulations. It merely requires the publication of national laws and regulations. Similarly, Article XVI (Market Access) only prohibits WTO members from maintaining or adopting the types of quantitative limitations, unless stated in a schedule of specific commitments. Thus, it does not guarantee any measures to prevent anti-competitive behaviour. Any country remains free to rely on its own regulatory enforcement and antitrust actions. The generality of standards means two things. It disguises the fact that they often entail a substantial re-allocation of rights with important implications for the political economies of enforcing them within a domestic setting. It also opens-up the possibility for subscribing to them without necessarily implementing them (Fredebeul-Krein and Freytag, 1999).

2. Liberalization of Telecommunications Services in ASEAN Framework Agreement on Services (AFAS)

Transnational companies and their demands for advanced networking services in the countries in which they do business have largely created the internationalization of the telecommunications industry. Modern telecommunications networks in Asia have therefore begun to form as a result of two forces. They are first, global transnational corporations adding an Asian operation to their network. For example, the BT's Global Network Service (GNS) has launched in Indonesia in cooperation with Indosat. This GNS has completed the ASEAN loop of the service to Malaysia, the Philippines, Singapore and Thailand (Ure, 1995:143). Secondly, regional transnational corporations have expanded to capitalize on geographic competitive advantages. An example of this is the Singapore Telecom, who signed agreements in the Philippines, Indonesia, Thailand, Indochina and China (Ure, 1995:126).

As a result of their rapid opening to global and regional economic forces, pressure has been strong from the business communities across Asia to gain access to telecommunication services at cost-based prices. The integration of the international and domestic economies has thus resulted in political and economic structural adjustment. Petrazzini (1993:7) has noted that, 'pressure for the liberalization of the market is paired with the general inability of state-owned telecommunications companies of developing countries to provide those services as rapidly as demand requires'. This in turn has made governments across the region outward looking in their bid to sustain rates of economic growth. The most important policy change in Asia over the past decade, therefore, has been the priority assigned to telecommunications in national economic and social planning. Ure (1995:5) suggested that the Asian governments responded to these forces either proactively or reactively.

The most proactive are Hong Kong and Singapore, the former by liberalizing its markets and the latter by promoting an island-wide information infrastructure. They are competing to become a regional hub of the region. In contrast, most Asian governments were reluctant to open their economies and their telecommunications markets too far too fast. They reacted to the global and regional forces, which have been triggered throughout the region by the politics of world trade negotiations, and especially GATS. However, they are well aware that the most successful models of self-sustained growth in the region have been those of an export-creation type (World Bank, 1993), and they have been opening their markets by degrees.

In this part of the analysis, I use the ASEAN Framework Agreement on Services (AFAS) to put the 'local' context into the emergence of the global regime. The theme of this study is that although the

world market is the main driving force of telecommunications restructuring across the world, it is the local conditions within each nation-state that mediate the policy-making process. I examine the extent to which the international trend of telecommunications liberalization affects ASEAN nations by comparing the commitments each nation gave to GATS with those commitments given to AFAS. This comparison will give a clear picture of how local condition could affect the implementation of liberalization policy.

2.1 The ASEAN Framework Agreement on Services (AFAS): Liberalization Negotiations among ASEAN Countries.

The members of ASEAN (Association of South East Asia Nations) established the AFAS agreement at the Bangkok Summit in 1995. The Bangkok Declaration aimed to use AFAS as a framework for negotiations of specific commitment on market access, national treatment and additional commitments covering all services sectors and all modes of supply. AFAS adopted the principles of GATS as a benchmark for its three main principles: Binding existing regimes (liberalization), Liberalizing current restrictions and Harmonization of requirements for commercial presence. AFAS required all ASEAN member countries to extend their commitments that are better than those given to GATS and extend their specific commitments under GATS to ASEAN member states who are non-WTO members such as Vietnam. However, AFAS is different from GATS in terms that it prefers treatment on a country-by-country basis rather than on an MFN basis (ASEAN Secretariat, 1995). Since AFAS emphasizes on trade rule mode 3 and 4, market access and national treatment respectively, my analysis in this part will focus on these two modes.

2.1.1 Comparison of the GATS and AFAS

Before the final commitments were proposed, the ASEAN committee tried to persuade the members to liberalize all seven services sectors. Seven services sectors are Business Services, Construction Services, Air Transport Services, Financial Services, Telecommunications Services, Tourism Services and Maritime Transport Services. However, only the Philippines, Myanmar and Laos gave commitments to all services sectors, as shown in Final Package (table 4.6). Brunei Darussalam, Malaysia, Singapore and Thailand did not extend their commitments beyond those given in the Initial Package. Although Indonesia added Tourism Services in its Final Package and Vietnam increased better offer in its Financial Services, these commitments are often insignificant in terms of their

impact on the volume of potential trade and investment, such as facsimile services and data transfer services (TDRI, 2000).

Table 4.6 Comparison of Initial and Final Packages of ASEAN Members

Country	Initial Package	Final Package
Brunei Darussalam	Business Services, Construction	Unchanged
Indonesia	Air Transport, Business Services, Construction, Financial Services	Add Tourism
Laos	All Seven Service Sectors	All Seven Service Sectors
Malaysia	Business Services, Construction, Telecommunications	Unchanged
Myanmar	Air Transport, Business Services, Construction, Financial Services, Maritime Transport, Telecommunications	All Seven Service Sectors
Philippines	All Seven Service Sectors	All Seven Service Sectors
Singapore	Business Services, Financial Services, Maritime Transport, Telecommunications, Tourism	Unchanged
Thailand	Air Transport, Business services, Construction, Financial Services, Telecommunications, Tourism	Unchanged
Vietnam	Air Transport, Business Services, Construction, Financial Services, Maritime Transport, Tourism	Unchanged (but improved offers in Financial Services)

Source: Report of the Fifteenth Meeting of the Coordinating Committee on Services, ASEAN Secretariat 1997 and Report of the Seventeenth Meeting of the Coordinating Committee on Services, ASEAN Secretariat 1998.

When examining the commitments given to AFAS and the commitments given to GATS, I found that ASEAN nations gave more commitments to GATS than they did to AFAS. For example, Table 4.7 shows that Singapore did not give any commitments to AFAS while committed to open-up six service sectors. Malaysia and Thailand also gave more commitments to GATS than to AFAS.

Table 4.7 Number of Services to be Liberalized

Country	AFAS	GATS
Indonesia	12	12
Malaysia	2	5
Singapore	0	6
Thailand	4	5
Laos	1	0
Philippines	1	0

Source: TDRI, 2000

From Table 4.6, 4.7 and 4.12, there are two conclusions that can be drawn. First, there are few changes in the commitments from the Initial Package and the Final Package of Commitments. Second, commitments given in AFAS are less significant than those given in the GATS. In order to explain this, I argue that local conditions may play an important role in the decision-making process.

(A) An Economic Condition: the Degree of Competitiveness of Member States

Table 4.8 shows that the service sector is the most important economy industry in Singapore. The service sector accounts for more than 60 per cent of the national GDP since the 1970s. Singapore has the highest competitiveness in all services (World Rank (1997) in Finance = 19.2; Telecommunications = 19; Maritime Transport = 2 and Tourism = 1) of the ASEAN economy. To be precise, Singapore's export commercial service rank is as high as number two of the world (Table 4.8) Therefore, Singapore has an advantage over all ASEAN nations.

Table 4.8 Sectoral Share of GDP (percent)

Countries	Agriculture			Manufacture			Services		
	1970	1980	1999	1970	1980	1999	1970	1980	1999
Singapore	2.2	1.1	0.1	36.4	38.8	32.2	61.4	60.0	67.7
Cambodia	-	-	37.4	-	-	22.1	-	-	35.5
Indonesia	35.0	24.4	17.4	28.0	41.3	42.8	37.0	34.3	39.8
Laos	-	-	51.2	-	-	22.9	-	-	25.9
Myanmar	49.5	47.9	41.9	12.0	12.3	17.2	38.5	39.8	41.0
Philippines	28.2	23.5	20.0	33.7	40.5	34.5	38.1	36.0	45.5
Thailand	30.2	20.2	10.2	25.7	30.1	42.9	44.1	49.7	46.9
Vietnam	-	42.7	23.9	-	26.3	34.7	-	31.0	41.4

Source: Asian Development Outlook 1998 and 2000.

For competitiveness in the telecommunications sector, Singapore is ranked 19 in the world and number one in ASEAN, followed by Malaysia at 25, Indonesia at 35 and the Philippines at 36. Thailand is the least competitive in telecommunications services compared with other ASEAN nations. The strength of the Singapore telecommunications sector lies in its ability to use advanced information technology as well as the high number of cellular mobile telephone subscribers.

It could be argued that liberalization in all service sectors including the telecommunications sector allows Singapore to expand its services through other ASEAN countries. Other ASEAN countries may have a high rate of growth in the service sector (Indonesia = 7.5, the Philippines = 3.7, Malaysia = 8.6 and Thailand = 7.9), but most of them are equally competitive as shown in Table 4.9. Thus, AFAS may not benefit ASEAN countries who are also WTO members in terms of their attractiveness to other ASEAN investors. Hence, the gap in member states' level of development contributes to AFAS's unsuccessful attempts to open up the service sectors.

Table 4.9 World Competitiveness Ranking

Criteria (IMD)	Country's Ranking as of 1997				
	Indonesia	Philippines	Malaysia	Singapore	Thailand
Importance of the service sector (% of GDP)	41	46	44	66	54
Real Growth in Services	7.5	3.7	8.6	8.4	7.9
Balance of Commercial Services (US\$ billion)	44	20	42	8	31
Balance of Commercial Services (% of GDP)	45	16	46	2	31
Export of Commercial Services (% of GDP)	39	5	4	2	12
Export of Commercial Services (US\$ billion)	37	24	25	10	23
Total Service Rank	31.75	16	20.75	2.25	24
Telecommunication					
Investment in Telecommunication 1994-1996	42	11	3	25	44
Computers in use	25	21	32	40	39
Computers per capita	44	43	31	10	40
Computer Power	27	39	31	38	26
Connections to Internet	44	43	34	12	42
New Information Technology	33	36	8	2	43
Telephone lines	45	44	32	15	42
Cellular mobile telephone subscribers	44	39	21	8	31
International Telephone Costs	10	46	31	24	39
Total Telecommunication Rank	35	36	25	19	38

Source: World Competitiveness Yearbook 1997

(B) A Political Condition: the Degree of State Intervention

There is another condition that may limit ASEAN commitments to AFAS, that is the degree of state control over telecommunications sector. All the ASEAN nations under comparison, except Singapore, protect their telecommunications markets highly (Table 4.10).

Table 4.10 Telecommunications Markets of ASEAN Nations and Liberalization Plan (year)

Telephone Services	Domestic	Rural	International	Cellular Mobile	Paging
Indonesia	Monopoly (2010)	Monopoly (2005)	Monopoly till (2005)	Duopoly	Liberalized
Malaysia	Monopoly	Liberalized	Liberalized	Liberalized	Liberalized
Philippines	Partly monopoly	Liberalized	Liberalized	Liberalized	Liberalized
Singapore	Liberalized	Liberalized	Liberalized	Liberalized	Liberalized
Thailand	Duopoly	Monopoly	Monopoly (2006)	Duopoly	Liberalized
Vietnam	Monopoly	Monopoly	Monopoly	Monopoly	Monopoly

Note: Singapore liberalized cellular mobile telephone and radio communications in 1997, and the rest in 2000

Source: Compiled from two sessions interviews with Duenden on October 20, 1999 and June 21, 2000. They are data preparing for Thailand Development Research Institute Report on Telecommunications, 2002.

Table 4.10 shows that although there is a tendency in opening up the sector in all countries, at the current stage, states in all countries, except from Singapore, and control telecommunications industries in some way. Apart from Singapore, which liberalized its cellular mobile telephone and radio communications in 1997, and other services in 2000, the states still control most of the telecommunications services in other ASEAN nations.

The restrictions on the liberalization process stems from a number of political actions. For instance, in Indonesia, PT Telekom and PT Indosat monopolized domestic basic services and international communications respectively in Indonesia. Both corporations are profitable, but the government takes around 60 per cent of pre-tax profits (Ure, 1995). When political society is closed to all but a small circle, a sharing of the privileges of power becomes necessary to avoid internecine rivalry. This was achieved through control over large sectors of the country's resource-based wealth-producing industries by the government, by ABRI (armed forces) and by the granting of monopolies to private conglomerates. Foreign companies wanting to invest in Indonesia or sell components also have to pass through the state machine, taking on local partners approved by the government and ABRI. Thus although PP20 permits FDI in the industry up to 95 per cent, in practical this cannot be obtainable (Ure, 1995).

In Malaysia, Telekom Malaysia and the Ministry of Telecommunications and Information Technology control services and development direction of the Malaysian telecommunications industry. Although the government attempted to liberalize the industry through Vision 2020, the nepotistic relationship between the state and business in Malaysia kept the vision aback. Several companies that are given licenses to operate have close links to the ruling party. This led to uncertainty of the Vision 2020, because neither private companies nor Telekom Malaysia know for certain how widely their licenses will be extended to compete with Telekom Malaysia (Lowe, 1994).

The same picture appears in Thailand where TOT and CAT unions enjoy their domination over domestic basic telecommunications services and international connection respectively. The Telegraph and Telephone Act 1934, and the Radio Communications Act 1995 gives the PTD (Posts and Telegraph Department) of the Ministry of Transport and Communications (MOTC) rights over radio telecommunications, but the PTD's authority over domestic fixed-line was seceded to the TOT under the Telephone Organization of Thailand Act 1954, and over international telecommunications to the CAT under the Communications Authority of Thailand Act 1976). Originally, the TOT was exclusively responsible for domestic public switched voice traffic, including trunk calls to Malaysia, Cambodia and Laos, and the CAT for international services. However, advances in technology erode the functional separation of fixed-line and radio systems, for example as in the use of radio links for mobile data-over-voice systems. Therefore, in practice, they are emerging as competitors in four areas: cellular phone, paging, data networks and leased circuits.

There are a number of policies leading to the more competitive telecommunications markets in Thailand such as 'IT 1995', 'Telecommunications Hub', 'Vision 2000' and 'TMP 1997-2006'. The

government took a number of actions to bring in private participation (See Chapter 5). However, similar to all developing Asian economies, local companies that win telecommunications concessions, franchises and licenses, must have close personal, military and political connections (See Chapter 6).

In the absence of a stable central government, the aspirations of the various businesses, military and political groups to promote a Thai regional hegemony fail to gain coherent expression. Democratic counter-thrusts are also too weak to establish a clear perspective for the development of the country, so Thailand developed into a 'free market' but an imperfect economy. This led to an increase in foreign investment as well as infrastructure chaos resulting from ineffective planning by the government (Unger, 1998: Chapter 6).

(C) Legal Condition: Institutional Laws and Regulations

Upon examining the schedules of commitments of member countries (Table 4.11), I found that there are more restrictions in Mode 3 (commercial presence) and Mode 4 (presence of national person) than other modes of trade in services. The TDRI (2000) reported that this is because Mode 1 (cross-border supply) and Mode 2 (consumption abroad) give less room for the government to intervene. For example, the government cannot prohibit Thai people who go abroad from buying foreign goods or services.

It is clear that the most important restrictions in the service sectors are restrictions on the foreign equity share in local businesses and the employment of foreign nationals. Many countries limit foreign ownership in local companies to a minority share. In cases of utilities such as telecommunications, the ownership ceiling is usually lower. Most ASEAN countries allow local companies to employ foreign individuals who are managers or specialists only, and the length of the employment is often limited and, in some cases, not extendable. It appears odd that in service sectors like telecommunications, where highly skilled personnel are required, such restrictions remain.

These restrictive practices imposed by ASEAN nations thus reveal that trade-in-services are subject to a multitude of local laws and regulations. In Thailand for example, apart from laws and regulations that directly control telecommunications industry, there are other laws and regulations that affect foreign investors supplying telecommunications services. Investment Law allows foreign investor in Thailand in a form of joint venture, with the foreign equity share no more than one-third of total share.

Foreign Business Law, Labour Law and Immigration Law contain a regulation called the ‘Negative List’. The Negative List notifies the list of 38 businesses that are reserved for Thai people only. They are, for example businesses related to national security, to culture, to national resources and environment and businesses that local companies need protection. The laws also allow local companies to employ foreign individuals who are managers or specialists only, and the length of the employment is often limited to one or two years.

Furthermore, all ASEAN nations have limitations on foreign investment in the forms of foreign equity share and forms of investment. In table 4.11, Indonesia allows foreign equity share in local telecommunications companies as high as 95 per cent. This is due to the government vision that it needs investment and expertise from foreign investors. Although, Indonesia laws and regulations provide attractive conditions for foreign investors, politics and political conditions within the telecommunications industry detract from this environment. The political instability in Indonesia and economic problems influence foreign direct investment in Indonesia. The Asia Development Outlook (2000) reported a sharp decrease in FDI in Indonesia in 1998. The FDI in Indonesia had reached the highest point in 1996 with FDI US\$6,194 million, compared with FDI in Thailand at US\$2,336 million. FDI in Indonesia touched the lowest point at US\$-356 million in 1998, compared with US\$6,969 million in Thailand.

Table 4.11 Limitations of Investment of ASEAN Nations

Country	Foreign Equity Share	Form of Investment
Indonesia	95 %	BOT (Built-Operate-Transfer)
Malaysia	49%	BOO (Built-Operate-Owned)
Philippines	40%	BOT
Singapore	100% (since 2000)	BOO
Thailand	25%	BTO (Built-Transfer-Operate)
Vietnam	100%	BCC (Business Co-operation Contract)

Source: Compiled from two sessions interviews with Duenden on October 20, 1999 and June 21, 2000. They are data preparing for Thailand Development Research Institute Report on Telecommunications, 2002.

In Thailand, the Telegraph and Telephone Act 1934 states that telecommunications belong to the state. Therefore the form of investment in telecommunications sector is BTO where the private companies build value-added infrastructure, then transfer the ownership to the state. Private companies operate through concessions arranged through TOT, CAT or PTD.

In summary, the service sector is growing in importance in the ASEAN region. Yet, this sector remains protected and inefficient in most ASEAN countries, with the exception of Singapore. In basic utility services such as telecommunications, SOEs still dominate the scene. Foreign competition is often restricted, if it exists.

3. Conclusion

This chapter demonstrates two arguments. First, the GATS has the effect of redefining of the Thai state role in telecommunications industry reform. The Thai state, in some way, tries to restructure the telecommunications sector to fit the framework of the GATS. Hence, the Thai state is acting as a 'transmission belt' of global interests by advancing liberalization policy, as shown in the analysis of the GATS and Thailand. Secondly, commitments to liberalize the services sector of ASEAN nations, including Thailand are limited by economic, political and legal aspects. Commitments to liberalizing the services sector require legal amendments (as demonstrated in Section 4.4 and 4.4.1), which is often beyond the scope of authority of the negotiators. Thus, the government policy towards liberalization as represented in, for example, IT Year and Vision 2000 of Thailand, is important with regard to the legal changes, which in turn facilitate commitments to liberalize.

Table 4.12 The Limitations of commitment of ASEAN countries, Mode 3 (Commercial Presence) and Mode 4 (National Treatment): A Comparison between GATS and AFAS

Country/Services	Mode 3		Mode 4	
Indonesia	GATS	AFAS	GATS	AFAS
<ul style="list-style-type: none"> - Voice Mail - Electronic Mail - Videotext - Entertainment 	Limit to 5 foreign companies.	As indicated in GATS	Foreign managers or specialists only.	As indicated in GATS
<ul style="list-style-type: none"> - Computer Time Sharing - Electronic Mail Box - File Transfer - Home Telemeter Alarm - Management Information 	Limit to 5 foreign companies.	Unbound	Foreign managers or specialists only.	Unbound
<ul style="list-style-type: none"> - Local Services - Long Distance Services 	Limit on form of investment. Foreign Equity share of 35 %.	Unbound	Foreign managers or specialists only. Limitation of above to 20 persons.	Unbound
<ul style="list-style-type: none"> - International - Domestic Mobile Telephone 	Limit on form of investment. Foreign Equity share of 25 %.	Unbound	Foreign managers or specialists only. Limitation of above to 20 persons.	Unbound
<ul style="list-style-type: none"> - Domestic Personal Mobile communication - Internet Access - Paging 	Limit on form of investment. Foreign Equity share of 35 %.	Unbound	Foreign managers or specialists only. Limitation of above to 20 persons.	Unbound
<ul style="list-style-type: none"> - Domestic: - Electronic Data Interchange - Database Access - Facsimile - Leased Circuits 	Unbound	5 new foreign investors allowed.	Unbound	Foreign managers or specialists only.

Thailand	GATS	AFAS	GATS	AFAS
<ul style="list-style-type: none"> - Telecommunication - Domestic Lease Circuit - Videotext - Teleconference - Online Information 	<p>Thai registered company with foreign equity share of 40 per cent.</p> <p>The number of foreign shareholders must not exceed 40 per cent.</p> <p>Under BTO condition</p> <p>Must use public telecommunication network.</p>	<p>As indicated in GATS</p>	<p>Foreign managers or specialists only</p>	<p>As indicated in GATS</p>
<ul style="list-style-type: none"> - Telecommunication s Equipment - Telecommunication s Consulting - Audio Visual - Film/video - Radio/Television 	<p>Thai registered company with foreign equity share of 40 per cent.</p> <p>The number of foreign shareholders must not exceed 40 per cent.</p> <p>Under BTO condition</p>	<p>As indicated in GATS</p>	<p>Foreign managers or specialists only</p>	<p>As indicated in GATS</p>
<ul style="list-style-type: none"> - Electronic Mail - Voice Mail - Electronic Data Interchange - Mobile Data - Entertaining - Facsimile - Teleconference 	<p>Unbound</p>	<p>Thai registered company with foreign equity share of 40 per cent.</p> <p>The number of foreign shareholders must not exceed 40 per cent.</p> <ul style="list-style-type: none"> - Under BTO condition - Must use public telecommunication network. 	<p>Unbound</p>	<p>Length of the employment not exceeding 90 days</p>

Malaysia	GATS	AFAS	GATS	AFAS
- Data and Transmission (E-mail, voice mail, online information)	Limit on form of investment. Foreign Equity share of 35 %.	As indicated in GATS	Foreign managers or specialists only. Limit length of employment.	As indicated in GATS
- Broadcasting	Closed	As indicated in GATS	Closed	As indicated in GATS
- Telex - Mobile Data - Audio visual	Limit on form of investment. Foreign Equity share of 30 %.	Unbound	Foreign managers or specialists only. For short-term business.	Unbound
Singapore				
- Audio Visual - Computer Services - Resale Basis	none	Unbound	Foreign managers or specialists only	Unbound
- Value-added Network (VAN) (Email, voice mail, online information)	As indicated by TAS	Unbound	Foreign managers or specialists only	Unbound
- Basic Telecommunications	2 new investors allowed. Starting date will be announced. Limitation of foreign equity share.	Unbound	Foreign managers or specialists only	Unbound
- Mobile Services	none	Unbound	Foreign managers or specialists only	Unbound

Note: 'Unbound' means no commitment is given.

'None' means no limitation or full liberalized

'Closed' means market is closed for competition

'Per cent of foreign equity share' refers to percentage of foreign equity participation to the Percent of the registered capital.

'The number of foreign shareholders' refers to percentage of foreign shareholders to the percent of the total number of shareholders of the company.

Source: Compiled from two sessions interviews with Duenden on October 20, 1999 and June 21, 2000. They are data preparing for Thailand Development Research Institute Report on Telecommunications, 2002.

CHAPTER FIVE

Hegemonic Project: Liberalization of Telecommunications Industry

1 Introduction

In the previous chapter, I demonstrated the role of the Thai State in the process of establishing and internalizing a 'notion of international obligation'. The analysis was based on Robert Cox's arguments on the role of the capitalist state where during the internationalization process, the state has to restructure its political, economic and legal policies to be compatible with the global economic, political and institutional changes. In Cox's words, 'the internal structures of the states are adjusted so that each can best transform the global consensus into national policy and practice' (Cox, 1987:254). The analysis of the role of the Thai state in the negotiations with the GATS and AFAS in chapter four, revealed that although the Thai state acted not only as a mediator or transmission belt of the global ideology of neo-liberalism, it also tried to protect its own local business.

Chapter four, nevertheless, demonstrated that the Thai State has recently been internalized by restructuring the telecommunications industry through the liberalization program that has legitimized the neo-liberal regime. The Telecommunications Master Plan 1997-2006 (TMP) is an example in this case. Through the TMP, the Thai State has extended its authority into the economic sphere through a liberalization program. This extension of the state's authority has entailed not only the growth of the regular departmental apparatus but also the multiplication of independent boards and commissions whose legitimacy is seen to reside in their insulation from political pressure and their technical expertise.

The TMP was introduced in 1997 with the aim of offering a comprehensive plan instead of ad hoc Build-Transfer-Operate schemes introduced during the 1980s to build a fair and competitive telecommunications environment. The plan outlines a comprehensive reform package covering the following issues: the separation of operating and regulatory functions, the setting up of the central regulatory body, the liberalisation of the industry, the privatisation of the TOT and CAT, human resources development, legal amendments: consumers' protection, the tariff structure and the timeframe for liberalisation which would start in October 1999.

The second Chuan government further endorsed the Master plan with a series of follow-up reforms including: the approval for the amendment of four registrations, tasking a national committee on the constitutional policy to set up the national telecommunications commission (NTC) and tasking a

national committee on state enterprise to develop the privatisation plan of the TOT and CAT, in co-ordination with the IMF, and Thailand's plan to liberalise the domestic telecommunications industry in 1999, as well as its WTO commitment for the full liberalisation of basic telecommunications services in 2006 (TMP, 1997). The proposed format aimed to depoliticise the sector, activate markets, and institute private participation. The path forward was simple: liberalisation of the sector, privatisation of State-owned enterprises, and setting up an independent regulatory body to transform the highly bureaucratised, statist monopolistic system into a dynamic, competitive capitalist economy.

The historical development on the political economy of the telecommunications industry has been greatly transformed during the past few decades, illustrating two phases of development over the period, each of which has coincided with political and economic transitions of Thailand. The state autonomy and dominance in the area of policy-making marked the first phase, which lasted until around the mid-1980s. As political democratization took shape during the late 1980s, along with the liberalization policy, the relations between the Thai State and the telecommunications industry progressed to a second phase. It revealed the relative power and influence of the major state and non-state interests involved in particular issues.

An increase in influence of non-state interests leads to some critics to argue that rather than increasing the state's capacity to ensure that corporate decisions accord with the public interest, such institutions become an instrument of the state in the hands of ruling class for enforcing and guaranteeing the stability of the class itself (Mahon, 1980). Some argue that this implies the state is losing its relative autonomy to non-state interests, particularly the capital (Strange, 1988) and others argue that the state is being by-passed (Chai-Anan, 1997).

This chapter analyzes the role the Thai state plays in the development of the telecommunications industry. It agrees with Cox (1987:253) in that the TMP is brought about by realignment of internal power relations among dominant social groups. Through the 'hegemonic project', the ruling class forms strategic consciousness and ideology and links such formation to the cycle of world orders. In this study, a state-centered analysis is justified on the basis of the liberalization of monopolistic markets controlled by the state.

This framework is used together with a Cox's 'framework for action' (discussed in Chapter One and Two) that emphasized the interaction between the Institutions, Ideas and Material Capabilities in a making of history. It is based on Robert Cox's notion that the restructuring of specific state structure is brought about by 'realignment of internal power relations among dominant social groups' (Cox, 1987:253).

In chapters 1 and 2, I elaborated on the 'hegemonic project' framework to explain the strategic actions used by the Thai State to control the telecommunications sector. The 'hegemonic project' involves the creation of 'hegemonic ideas' and 'adequate materials' (Cox, 1987) or 'strategic orientation' and 'relation to accumulation' in Jessop's term (1992).

The strategic orientation involves the interpretation and organization of different class-relevant forces under the political, intellectual and moral leadership of a particular class or class faction. The key to the exercise of such leadership is the development of a specific 'hegemonic project' which can resolve the conflicts between individual and general interests.

The hegemonic project involves the mobilization of adequate materials by recruiting support behind a concrete, popular program of action. This means an inclusion of general interest in the plan in order to pursuit of objectives that explicitly or implicitly advance the long-term interests of the hegemonic social forces, and which also privilege particular 'economic corporate' interests compatible with this programme. Conversely, oppositional interests are framed as irrational and thus liable to sanction and exclusion (Cox, 1987 and Jessop, 1992). In order to mobilize other social forces, hegemonic project also involves the sacrifice of certain short-term interests of the hegemonic social forces by granting material concession to them. It is thereby conditioned and limited by the accumulation process (Jessop, 1992).

The 'hegemonic project' provides a framework to consider those individuals and institutions that underpin the interests of the 'liberalization' historical bloc in Thailand. A notion of hegemony therefore provides a set of concepts that link the structures of politics, economy of liberalization and interest groups. It reveals the practical content of social relations. This is because it recognizes the efforts of organic intellectuals, be they ruling or subordinate groups that mediate between class conflicts. It also pays attention to the role of historic blocs that mediate between social being and social consciousness. In other words, the hegemonic project focuses on to the notion of extended state and civil society (Gramsci, 1971) or state/society complex (Cox, 1987) that mediate between modes of production and means of coercion.

This chapter will examine the new players who emerged from the 'hegemonic project' for telecommunications liberalization. The chapter focuses on the 1980s and 1990s, during which many coalition governments were formed, more progress was made to bring down the state monopoly. The chapter, therefore, covers the Prem government (1980-88), the Chatichai government (1989-91), the Anand government (1991-92), and the Chuan government (1992-1998). Throughout this period, private sector participation in the telecommunications industry rapidly increased and a number of Thai business enterprises were becoming involved in national as well as telecommunications politics.

In this chapter, I ask how could privatization and liberalization take place within a context of governmental control? The answer is determined by the on-going battles between pro- and anti-reform coalitions, each of which were characterized by shifting alliances, changing positions and ideas regarding the hegemonic project (privatization and liberalization). On the surface, this conflict is probably insoluble because of the wide range of particular interests, which could be posited in opposition to any definition of the general interest. In this circumstance, the leader of the hegemonic project has the task to resolve this conflict through specific political, intellectual and moral practices.

2 Prem Regime (1980-88)

2.1 Telecommunications Transition

When the politics and economy of Thailand turned into semi-democracy during the Prem cabinet, the system of representation changed to what became the 'corporatist state' in Thailand (Anek, 1992). Economically, the ISI (Import Substituted Industries) with EOI (Export Oriented Industries) strategies resulted in measures aiming at changing the Thai primary sector to manufacturing. This was in parallel with a change in the demography of the country from rural to urban. This policy benefited from the relocation of other Asian NICs. It was consolidated through the postwar strategy of stabilizing development, which helped to create an economic period (1988-1997) that was labelled a 'miracle', 'the Fifth Tiger' and 'the NIEs' (Pasuk and Baker, 1996). This policy institutionalized state-business-labour relations through mechanisms such as redistribution policies.

The process of accumulation of industrial capitalism needed a new arrangement of actors that was possible only through the reorganization of labour (Cox, 1987). The new mode requires a set of production relations in which the exploitation of labour could be increased. Concrete actions included encouragement as well as repression of autonomous forms of labour organizations and the development of a legal framework that supported the new mode. The state legalized union activities and encouraged collective bargaining by employer organizations. In return, the state had the opportunity of strengthening their political base by attracting worker support without antagonizing other politically important elements. However, this bipartite relation (Cox, 1987:63-68) changed when the state introduced the privatization programme.

There was a shift in direction of the telecommunications sector as its strategic importance to the industrial sector increased. Telecommunications came to be viewed as a public good and a key component of the national project. The main events included the 3rd NESDP (1972-1976), which for the first time, acknowledged the strategic importance of the telecommunications infrastructure (Sirin, 1984).

By considering the general communications channels a patrimony of the nation, the state treated them as natural resources and therefore as a capital sector for the state. This was especially true for all administrations since the Sarit regime (1973) to Prem (1988) during which state capitalism was practiced by exploitation of the basic infrastructure and its protection from foreign interests. According to TDRI (1993), Thailand put into practice a 'cash cow' model in which the 'telecommunications industry was milked by the national treasury', and the tariff structure was based on cross-subsidies in which national and transnational users paid for a uniform extension of the public network and postal system through all sectors and regions. This relation could be explained as 'state corporatism'. Under state corporatism (Cox, 1987:79-81), the state imposed a regime authoritatively upon industry intended to maintain order and to eliminate conflicts. Concrete actions included the legalization of the new Labour Relations Act 1991 and the State Enterprise Labour Act that repressed the movement of all worker unions (Sakkarin, 2000:100).

2.2 The Political Power of the Technocrats

Together with the rising political power of the business class, the political power of technocrats also increased. The technocracy had developed with the institutions of modern economic management, such as the Bank of Thailand (BoT) (1940s) and the NESDB (1960s). For some years, the technocrats performed only as technicians and experts, but during the 1970s, their role began to change (Pasuk and Baker, 1997).

The US withdrawal from the region after 1975 reduced the role of foreign experts and this gave way to Thai technocrats (Pasuk, 1997). While some of these technocrats came from traditional bureaucratic families, many came from the second and third-generation-Chinese-immigrant families, which were also the source of the major business groups. These technocrats and families of large business groups had often progressed side by side through Bangkok's elite schools and American universities. These links were sometimes strengthened through marriage ties (Hewison, 1989:210-213). The 1973 uprising pulled down many of barriers, which had separated technocrats from politics (Pasuk, 1997).

The dramatic economic transition of the 1980s strengthened the links between technocrats and big business. In the early part of economic liberalization during the 1980s, the NESDB was elevated into a more prominent role in making economic policy and co-ordinating its implementation. After 1988, this role diminished and the Bank of Thailand took the lead. Although businessmen had little direct role in this policy-making, they strongly supported technocrats whose views were alike and whose

skills kept the boom on course (Sakkarin, 2000). This period also saw an increased migration between technocrats and business. Big firms lured away technocrats with packages worth many multiples of an official salary. The firms hired technocrats partly because they simply needed skilled people to handle the sudden surge in business activity (Sriphumi, July 10, 2000), but partly also to strengthen their linkages with government (Sakkarin, 2000).

2.3 The Hegemonic Project: Privatization Plan

Gen. Prem Tinsulanondha's eight-year rule represented a transition from an authoritarian towards a more democratic regime, with more players in politics. During this period the military and other bureaucratic agencies tried to retain their powerful roles against challenges posed by political parties and business. Many attempts to deregulate telecommunications, through for example privatization of the CAT and TOT, failed. The failure to reform the telecommunications industry was partly due to opposition to the alliance of the military with state enterprise boards and labour unions. This crash was a manifestation of older-style bureaucratic struggles to maintain the status quo.

Thailand first introduced privatization as an element in the country's economic policy under the First Development Plan (1961-66). Its implementation was very limited in scope, and privatization did not become a controversial issue until the 1980s when the privatization plan became an important element of economic reforms in the Fifth Plan (5th NESDP: 1982-86). To further boost SOE efficiency and accelerate the implementation of privatization, Prem's cabinet showed its commitment to the Fifth Plan and occasionally stepped in to set out policy guidelines. For example, in 1986 the cabinet divided state enterprises into five categories for more effective implementation of the plan and made it clear that no new SOEs would be expanded, except in the areas of public utility and security. Moreover, inefficient SOEs were to be dismantled or privatized while profitable SOEs would require more private sector participation (Cabinet Resolution, 12 June 1984).

This proactive policy on privatization adopted by Prem's cabinets was conditioned by two main factors: the extensive privatization and regulatory reforms of public enterprises overseas and the economic recession that Thailand faced following the second oil crisis. Rangsan (1993) argued that the influence of liberal economic reforms in the West must be placed in the context of the powerful role of the technocrats in major bureaucratic organizations in Thailand, particularly those from the Bank of Thailand (BoT), the Ministry of Finance (MoF), and the National Economic and Social Development Board (NESDB). These technocrats have their educational background in Europe and North America, and the example of deregulation in America under President Reagan and the UK's

privatization of public enterprise under Margaret Thatcher had influenced their economic thinking thereby influencing major policy-making bodies in Thailand (Rangsan 1993).

The privatization plan was pushed further into practice during this period as responses to economic crises. The second oil crisis, resulted in a decline of economic growth, high inflation and high deficits, compelled the Prem government to seek immediate responses as well as broaden economic reforms to restore Thailand's economic stability. As part of its short-term measures, the government resorted to borrowing from the IMF to remedy its budget deficits and to restore foreign reserves. Moreover, a ceiling for public foreign debt was set at an annual amount of US\$ 1 billion and many large-scale infrastructure projects were scaled down or put on hold (Unger 1989). In telecommunications, TOT was ordered to reduce its investment budgets and operating costs and make other changes to lessen its financial burdens. On broader economic reforms, privatization of state enterprises was to become one of the most important policy reforms (Pasuk 1989)¹. Privatization of SOEs was aimed to rid the government of its debt burden and to improve SOEs efficiency (Paichitre, et al., 1987).

2.4 The Historic Bloc Formation: Government-Technocrats-Business Alliances

Technocrats and businessmen who, during this period, had gained their political power through their economic strength supported Prem's privatization plan. Among the major policy-making bodies, the NESDB was the most important actor. Apart from its central function of formulating the five-year plan, the NESDB played a crucial role in all economic areas during the eight-year period of the Prem regime (Chai-Anan, 1989). They were also Secretariat to both the Council of Economic Ministers (CEM) and the Joint Public-Private Consultative Committee (JPPCC). Both CEM and JPPCC had long experience in policy-planning and extensive information in all areas of the Thai economy. These two reasons enabled the board to set agendas for top-level meeting and exact influence on policy outcomes (Chai-Anan, 1989). Above all, Prem was a chairman of the CEM; hence, the information prepared by the Board was mostly aimed at Prem himself. These influential roles tied to the Prime Minister enabled the Board later to assume the additional role of policy monitoring that would lessen intervention by political parties (Anek, 1989).

The NESDB used its special role and status to set an agenda for the government's economic discussion as well as to follow up on policy implementation by various state agencies. Together with the CEM, the JPPCC was also used by the Board as a political mechanism through which economic

¹ Other economic policy reforms were promotion of export-oriented industries during the 1980s, currency devaluation in 1981 and 1987, reduction of the import tax on raw materials and commodity goods, and investment promotion.

reforms were initiated and implemented (Matichon, 23 and 26 July 1985). Although it was created as a communications channel among government and business (represented by the Thai Bankers Association, the Thai Chamber of Commerce, and the Federation of Thai Industries), Anek (1989) argued that the JPPCC actually served the business's need business because many of JPPCC's recommendations were endorsed by the CEM for the cabinet's approval.

Along with the NESDB, the MOF sought to promote economic reforms through financial and monetary policies. The MOF was orientated towards conservative fiscal and monetary policy, including the foreign debt ceiling as well as other austerity measures in the face of economic recession. Since large proportions of SOE investment budgets came from overseas loans, and foreign debts incurred by state enterprises amounted to more than half of the total foreign debt of public sector, the reduction of SOE foreign borrowings was then designed to ease the burden of public foreign debts. The TOT was one of the major concerns of the technocrats due to its high level of debt. When the TOT incurred 30 percent of the total public debt in 1986, the cabinet ordered the debt service committee to regulate the TOT's borrowings and to allow private participation in its projects (Cabinet Resolution, 10 June 1986).

Apart from alliance with technocrats, the Prem government also formed an alliance with political party members, most of whom had background in business. Table 5.1 reveals that percentage of businessmen in Prem cabinet was approximately 40 per cent. While the technocrats played the leading role in forging a privatization policy, various politicians also helped put the policy into practice. Two of the most important politicians involved in starting the privatization of telecommunications sector were Samak Sundharavej, the then leader of the Prachakorn Thai Party, and Banharn Silpa-Archa, Chat Thai Party's Secretary-General. (Sakkarin, 1998). Samak and Banharn served as the minister of the MOTC several times. Both of them favoured business investments in infrastructure projects. They attempted to reform and privatize the telecommunications industry many times under Prem.

Both Samak and Banharn actively explored ways and means to increase private participation in telecommunications projects. Originally, business lobbying for privatization came mainly from foreign companies because the Thai private telecommunications sector was initially very small due to the state monopoly. For example, Bell Canada proposed to Samak in 1984 to build and operate a telephone system in Bangkok (MOTC, October and November 1984 and Prochachart thurakit, 9 January 1985), and British Telecom proposed to Banharn in 1987 to privatize the TOT (Naew Na, 8 August 1987). However, the Juridical Council rejected both proposals on the basis that such an operation would violate the state monopoly regulated by the Telephone and Telegraph Act 1934 and the Telephone Organization Act 1954.

Samak and Bunham therefore chose to privatize smaller, less controversial projects such as those of value-added services. The first privatized telecommunications project was a paging service, introduced in 1986 under the BTO (Build, Transfer and Operate) formula. Under the Telephone and Telegraph Act 1934 and the Telephone Organization Act 1954, all telecommunications belong to the state. The BTO formula, thus, was used to avoid violation of these Acts. The BTO requires a private company to invest in infrastructure, then transfer ownership to state. The state then grants a concession to the private company to operate its services on that network. This breakthrough success for the new form of privatization that did not violate laws set a precedent for the privatization of many value-added projects during the subsequent government (CAT and TOT documents).

2.5 The Old Historic Bloc: The Military and Labour

However, the progress toward a privatization plan was not without struggles. Although the Prem government was able to privatize 85 SOEs, of which 33 were terminated, 26 partially privatized, 16 merged, 3 contracted out to the private sector, and 7 privatized in other forms by the end of the Fifth Plan (1982-86) (Snroh 1986), privatization of the TOT and CAT was very limited in scope (Petizzini, 1995). The politics of TOT and CAT's large-scale enterprises and the military opposition to privatization instabilized Prem's political power, which led to failure of the privatization programme (Sakkarin, 2000).

The military's political power stemmed from the character of the Prem regime, which needed support from the military to survive (Xuto, 1998). This forced Prem to allow the military to take charge of national security matters and appoint key military figures as heads of the TOT and CAT. The military believed that it was their duty to guard both security and the economic development of Thailand (Banthit, Vimonrat and Somsri, 1994). However, the military had to allow limited private participation in small telecommunications projects because the TOT lacked money to invest. The success of the first BTO project with its tangible benefits in the form of revenue sharing with a private consortium convinced the military of the benefits to be gained. This led the military to change its attitude and position from an opposition of the privatization plan to a supporter, leaving labour as the only major opponent to private participation.

2.6 Labour Opposition

However, Prem's privatization brought in conflicts between the government, military and labour, who were interested in preserving the status quo. The military could insert their involvement in telecommunications politics because they provided the protection and political support to the Prem regime. In exchange, Prem allowed the military's presence in major SOEs essentially to national security. The military also claimed external and internal threats to Thailand during the 1980s as a basis to justify the military's control of key agencies responsible for public utilities. State enterprises labour unions whose direct concerns were merely 'bread and butter' issues arising out of ownership transfers were the other main opponents of the government's plans. Because of their mass membership, SOE labour unions became the focal point of public resistance to the government's privatization programme.

Major issues involving labour action were the privatisation of SOEs, labour relations, and issues related to welfare and other benefits. Because SOEs labour represented the largest labour unions in Thailand and most SOE employees were members of their workplace unions, SOE labour unions automatically dominated the labour movement in Thailand. Since private labour unions were fragmented and less organized than SOE unions, SOE unions were able to bring about privatization as the major concern of the peak labour organizations in Thailand. Within labour's rank and file, CAT and TOT labour unions were very large and powerful, ranking third and fourth largest labour unions in Thailand respectively (Department of Labour, 1985). The combination of TOT and CAT unions made telecommunications unions the largest group of all SOE unions, and enable their union leaders to serve as the leaders of the State Enterprise Relations Group, and an informal pressure group represented by major SOE unions (Sakkarin, 2000:60).

TOT and CAT unions employed strikes and work stoppages as means to suspend the privatization policy. These strategies were successfully used in their previous demand for wage increases and better welfare system (Thai Raj, 12 December 1981). When Bell Canada proposed to Samak to build and operate a telephone system in Bangkok, the unions from both agencies joined up to form the Confederation of Telephone and Telecommunications Unions to pressure the MOTC to drop the project (Prachachart thurakit, 9 January 1985). In a like manner, CAT unions erupted in response to Samak's proposal to separate postal from telecommunications services and to his approval for private investments in value-added services (Prachachart thurakit, March 1985). When a draft legal amendment to abolish the monopoly of the TOT and CAT was approved by the Cabinet in November 1986, the State Enterprise Relations Group launched large-scale protests that would have severely disrupted the whole economy. As a consequence, the government retreated and the legal amendment was temporarily suspended (Ban Muang, 16 December 1986). During the last year of the Prem

regime in 1987, the government had to postpone another legal amendment to avoid a national strike after the negotiation breakdown between the MOTC minister Banharn and the TOT union (Matichon, 2 August 1987).

The strength of labour union was not only in their numbers and offensive strategy, but was also derived from the potential political crisis that could arise from the mass protests. As Prem required all support from the military and political parties, labour mass protest might give the military a reason for intervention. Mass protest also aroused public dissatisfaction and therefore reduced government popularity. The military had close ties with labour and sometimes acted as its patron in relation to some labour organizations (Pasuk and Baker 1995), the military became the mediator between the government and labour. In this sense, labour received support from the military against privatization and the military gained support from labour in return.

2.7 Summary

In summary, during the Prem regime, the government initiated the political and economic reforms, which gradually transformed Thailand into the more democratic political system. A number of interest groups increased and the government was confronted with opposition and attacks from established organizations and interests. For example, Prem faced withdrawal of support by various political parties, and national strikes by labour unions. Facing political uncertainty, Prem developed a strategy of balancing support from the bureaucrats on the one hand and politicians on the other (Likhit 1992). Because of these political constraints, the government was not in a strong position to counter major challenges or deal with controversies that could potentially break up such valuable political support, nor could it afford to allow any incidents that might provide a pretext for military intervention (Sakkarin, 2000).

However, by the end of the Prem government, the Sixth Plan (1987-91) was inaugurated, with the continuing aim of economic reforms and expanding privatization as the role of the private sector increased. The Sixth Plan also aimed to promote private participation as well as to encourage SOEs in joint venture with the private sector (Issara, 1989).

3. The Chatichai Government and BTO scheme (1988-91)

3.1 The Historic Bloc Formation: Government-Technocrat-Political Parties-TOT and CAT Boards

Chatichai's telecommunications reform was supported by a number of players: technocrats from NESDB and MOTC, political parties, TOT board of executive and CAT board of executive. The move of technocrats in TOT and CAT to support the government was noteworthy. The government not only tried to remove the existing powers of the TOT and CAT, it also limited the technocrats role in policy-making. Since the military was removed from politics, the government saw no need for strong support from the NESDB. Although the Chatichai government curtailed technocrats' role, they supported the government's telecommunications reform policy. The support of technocrats could be explained from their attitude towards the reform. Technocrats and politicians alike saw the need to reduce the state monopoly and increase the competitiveness of the Thai economy. The difference, however, was in the weight given to liberalization and the degree to which liberalization took place. The NESDB technocrats were the strongest supporters of extensive liberalization (Poomchai, June 27, 2000) whereas those from the MOTC and political parties perceived full liberalization as desirable but not necessary (Nualnapa, August 21, 1999).

Although the NESDB's power was dramatically reduced, it was still an important actor in the move towards telecommunications liberalization. Apart from charting the national development plan encompassing all sectors of the economy, the NESDB was still active in giving suggestions and comments on all economic papers presented to the cabinet. As it was a requirement from all investment plans committed by government agencies and SOEs to be evaluated by the NESDB before submission to the cabinet (Poomchai and Sansern, June 27, 2000), the NESDB was given significant power and the influence to push through its economic reform agenda. There were many occasions when the NESDB directly influenced telecommunications policy liberalization (Poomchai, June 27, 2000). For example, the Board jointly launched a white paper detailing a privatization plan with the MOF (NESDB document). The Board also commissioned an extensive study of telecommunications reform aimed at restructuring all state agencies concerned (NESDB 1991). For example, the Board asked the United States Department of Commerce, National Telecommunications, and Information Administration (NITA) to study and recommend the telecommunications infrastructure in Thailand (NESDB, January 1991).

The other groups of technocrats playing considerable roles in increasing private participation and encouraging the liberalization process was the staff of the Office of the Permanent Secretary, Ministry of Transport and Communications (Nualnapa, August 21, 1999). Nevertheless, they were more conservative than members of the NESDB were and more concerned with increasing private participation rather than removing state monopoly. They preferred increasing liberalization in value-

added services under BTO schemes than a radical reform suggested by the NESDB (Nualnapa, August 21, 1999).

3.2 The Mobilization of a Counter-hegemonic bloc: TOT and CAT Boards

Whereas the end of the Prem regime saw an expansion of the power of politicians, political parties became even more powerful forces in the Chatichai government. Furthermore, the coalition parties agreed to restrain from interfering with ministers under each other's quota, Montri, Minister of MOTC, thus enjoyed extensive power over his ministry (Sakkarin, 2000). The state of affairs was markedly different from the policy-making process under Prem, with a check-and-balance system between bureaucrats and politicians (Sudharma, June 30, 2000). Driven to win back the power of the bureaucrats as much as possible, Montri further removed the role of the NESDB in evaluating BTO projects, claiming that the Board was empowered to screen only projects funded by the state, but not those of private investments (Poomchai, June 27, 2000)

Montri's background also contributed to his special relationship with business and great emphasis was put on infrastructure development. Montri was a leading businessman in Ayuthaya province, Thailand. He was also Social Action Party (SAP)'s Secretary-General, a party with a business-politician combination. Montri thus gained support from provincial businessmen, and a good telecommunications system was high on his agenda (Matichon, (weekly), 2 April 1993).

However, the Chatichai cabinet demonstrated an intention to accord greater priority to engaging labour in a dialogue, allowing them to express concerns on wages and conditions, social security, privatization, temporary work contracts and child labour (Department of Labour 1990:2). The Chatichai government gained support from labour, especially the TOT and CAT boards and unions, from its policy on private participation promotion, which allowed state-business to form an economic partnership through the BTO projects (Sakkarin, 2000).

Montri, the MOTC minister, appointed Sriphumi Sukhanetr, Permanent Secretary of MOTC, and his trusted bureaucrats to key positions in state telecommunications agencies. Sriphumi was an ideal choice because he was well recognized by major interests, the military, bureaucrats, and politicians. Persons whom Montri appointed to take charge of the Office of the Permanent Secretary and the state enterprise boards were instruments of the government aimed of controlling the anti-reform group (Sakkarin, 2000). This is because the Permanent Secretary and the state enterprise boards envisaged more than twenty BTO concessions (Sriphumi, July 10, 2000). The former served as the co-ordinating agency between the ministers on the one hand and government agencies and all SOEs on

the other. The latter had regulatory as well as operating power over telecommunications agencies under their control (Sriphumi, July 10, 2000). Normally, the Permanent Secretary role required a person with knowledge and experience in a high-tech industry, but he should get along well with the minister or be able to gain to his trust (Sriphumi, July 10, 2000). In turn, the role of the Secretary in control of a state enterprise depended heavily on his relationship with the minister (Sriphumi, July 10, 2000). Therefore, it was a common strategy for the minister to revamp SOE boards once he assumed office to ensure effective control over the organizations (Sudharma, June 30, 2000).

Moreover, Montri later appointed Sriphumi a chairman of the TOT board in 1989, while serving as Permanent Secretary to MOTC and Chairman of the CAT board, giving Sriphumi absolute control over the co-ordinating and regulatory arms of the telecommunications industry (Sriphumi, July 10, 2000). Sriphumi, therefore, was a channel for Montri to consolidate and exercise his power over the implementation of a privatization programme under the BTO schemes in both the TOT and CAT.

Because the MOTC was able to control the TOT and CAT boards, TOT and CAT's attitude towards the reform plan also changed. During the Chatichai government, the state telecommunications agencies shifted from a position of anti-reform to promoting BTO schemes (Sakkarin, 2000). The benefits gained from increased revenues demonstrated by a paging service concession - the first BTO project - convinced both state agencies that BTO schemes would bring them profits, as well as ease the pressure on them from the government's privatization policy. It was estimated that TOT would gain approximately 800 million bath from the 15-year pager concession (Banthit, Vimonrat and Somsri, 1994: 20). Revenue sharing with private companies and free reign over capital and manpower supplies were in fact economic rents, which added to the cost of services to the public. Because BTO projects would be exempted from the NESDB's scrutiny, the TOT and CAT endorsed them as the practical way to modernize value-added telecommunications services.

A change in a power structure in the MOTC also transformed the TOT and CAT into BTO-friendly organizations. Sriphumi, the Permanent Secretary to the MOTC and Paibul Limpaphayom, the Managing Director of TOT contributed greatly to the private participation and gradual liberalization of value-added telecommunications services (Pansak and Noppanat, July 7, 2000). Paibul's personality and good connections with the military, politicians, business, and labour helped to reconcile these various groups' interests (Banthit, Vimonrat and Somsri, 1994). Given that Sriphumi chaired both the Office of the Permanent Secretary and the TOT board while Paibul commanded TOT bureaucrats and its employees, the TOT was eventually transformed into a champion of BTO schemes (Sriphumi, July 10, 2000 and Pansak and Noppanat, July 7, 2000).

However, the CAT was more resistant than TOT opening up for the private sector, despite its pioneering role in granting the first BTO project. The CAT was in healthy financial position, with an

annual profit over two billion baht since 1987 (CAT 1998 Annual Report), it was capable of funding its own projects with little need for foreign borrowing (CAT, August 10, 1999). It was political rather than financial considerations that forced the CAT toward early privatization. The first BTO concession granted by the CAT in 1986 was a political exercise between politicians and MOTC technocrats on the one hand and CAT bureaucrats on the other (Sakkarin, 2000). Following the direct command from the MOTC minister Samak, seconded by Sriphumi as CAT board Chairman, the CAT initially set up tough conditions to deter private investors (CAT officer, August 10, 1999). However, strong interests from investors and their attractive offers won over the opposition of the CAT. Following this, the agency came to realize the beneficial value of BTO schemes and several more projects were later added (Srisook, August 10, 1999).

Thailand's outdated telecommunications laws were also a reason for the TOT and CAT to shift their positions in favour of private participation in new value-added services (Pansak and Noppanat, July 7, 2000 and Srisook, August 10, 1999). The Thai telecommunications laws could not have anticipated the technological revolution in telecommunications (Sudharma, June 30, 2000). Overlapping telecommunications technologies, to which the law could not be applied, led to the duplication of many TOT and CAT services. As a consequence, both agencies found themselves engaged in competition to provide similar services (TMP, 1997). Traditionally, the TOT was responsible for domestic telecommunications and the CAT concentrated on international services. The TOT claimed all domestic services to be under its jurisdiction, regardless of the kind of services or the medium of communication (Poomchai, June 27, 2000). Obviously new technologies and BTO schemes helped to accelerate private participation as well as to introduce some limited liberalization of the telecommunications market.

Overlapping responsibilities and competition among state telecommunications agencies were not only attributed by outdated laws and new technologies, but were also exacerbated by political parties battling within the ministry. There were attempts from the TOT and CAT to reconcile their conflicts (CAT Officer, August 10, 1999). However, politicians and technocrats preferred encouraging competition to finding solutions to divide responsibilities of both operators. For example, the MOTC drafted an Memorandum of Understanding defining responsibilities between the TOT and CAT which restricted TOT international operation to Malaysia only and allowed CAT domestic operation in most telecommunications services (Naew Na, 2 October 1989). TOT saw this as the MOTC being biased in favour of the CAT and rejected these recommendations (Naew Na, 3 October 1989).

3.3 The Mobilization of a Counter-hegemonic bloc: TOT and CAT Labour Unions

However, TOT and CAT boards in favour of privatization plan did not translate into their labour unions' supporting the plan. The relations between the government and labour turned sour, especially for powerful and well-organized SOEs. This is because the SOEs had hoped for a reversal of long-standing plans to privatize them and this did not happen. Although there was some improvement on labour conditions, the numbers of strikes were rising. Apart from the privatization plan, labour unions had recognized the increasing importance of their role as partners with state and capital (Brown, 1997:174).

Labour during the Chatichai government was weaker than during the Prem cabinet. There were reasons contributed to this. First, a more amenable relationship between the Chatichai government and labour contributed to less militant labour. Secondly, the declining power of the military in politics in general, and in state telecommunications agencies in particular, considerably lessened the clout of the former anti-reform coalition and consequently left labour isolated from the centre of action in telecommunications politics. Thirdly, negative public reaction to past labour militancy had reduced support for labour movements and pushed them towards a more compromising position on limited privatization. Fourthly, labour's priority was shifting. They no longer targeted private participation under BTO schemes. They concerned more on legal amendments liberalizing the industry and the prospect of extensive privatization of SOEs.

Improved state-labour relation during the Chatichai government significantly reduced labour conflicts and created a better environment for reaching compromises. Not only Chatichai tried to build mass political support for his reform, he also appointed Kraisaak Choonhavan, his son, as an advisor. Kraisaak was well connected to labour leaders through his studies in labour issues while lecturing at Kasertsard University (Thai state university). When important labour issues arose, Kraisaak would intervene as both the Prime Minister's advisor and a mediator acceptable to labour to solve the conflict.

Another factor mitigating the degree of labour militancy, particularly that of the state enterprise labour unions, was the declining role of the military in both national and telecommunications politics. Since the government largely sidelined the military and the Chatichai's son replaced its mediating role, the military was in no position to enhance the leverage of labour in national bargaining. More importantly, military control of state telecommunications agencies was removed by the cabinet's revamp of state enterprise boards, thus the TOT and CAT unions were left alone to fight government privatization programmes. The patron-client relationship between the military and labour could be seen most strikingly when the TOT Employees Association opposed the appointment of Sriphumi as

the TOT board chairman and instead indicated its preference for an assistant army commander Gen. Arun Pariwattiharn (Prachachart Thurakit, 12 April 1990).

Although, labour unions were left alone to fight the privatization program, they were still the main opposition to the privatization programme. However, their strategies and objectives were different from those during the Prem regime. They were less belligerent in launching organized protests against telecommunications reforms. From the public viewpoint, the move of the government and its readiness to negotiate with all actors involved was seen as facilitating a peaceful resolution of disputes (Thansethakit, 26 February 1990). The public therefore viewed strikes and aggressive labour movements negatively when privatization was deemed essential to alleviate infrastructure constraints. Public criticism of labour's frequent demonstrations and its worsening image caused the TOT union to review its position and tolerate private participation under BTO schemes (Thansethakit, 26 February 1990). Negative public reaction to past labour militancy had reduced support for labour movements and pushed them towards a more compromising position on limited privatization, without legal amendments that would have changed the status quo.

Given that its leverage had significantly declined as a result of the military's reversal of fortune and that its public image was deteriorating, labour then moved to restore popular support by linking the issue of privatization with the threat of foreign domination to stir nationalist sentiments (Duenden, October 30, 1999 and June 21st, 2000). The TOT Employees Association said: 'The TOT labour union keeps a close watch on foreign companies, which collaborate with domestic stock speculators disguised as politicians, who push for privatization in order to take control over the TOT. Therefore, it is an opportune time for union members to join forces and employ all means to protest against such a move' (Daily News 18 February 1990). In addition, corruption by politicians and government officials was made an issue, attributed to the non-transparent methods of privatization (Duenden, October 30, 1999 and June 21st, 2000). This issue raised to create the new image of labour as a protector of state interests. When Montri, the MOTC and Sriphumi were replaced in 1990, the TOT urged the new Transport and Communications Minister to investigate the approval of five major telecommunications projects (Prachachart thurakit 10 January 1991).

3.4 The Concentration of Power: the Prime Minister Advisory Group

Montri's power and control over the MOTC did not solely determine the active privatization of the telecommunications industry during the Chatichai government. The PM's advisory group, also known as Ban Phitsanulok, also played an important role in endorsing Montri's actions to Prime Minister Chatichai and the cabinet. Ban Phitsanulok was originally formed as an informal political

body without any legal authority (Sudharma, July 30, 2000). Ban Phitsanulok comprised of members from various disciplines. For example, the head of the team Pansak Winyarat is a freelance journalist and an expert in information technology. Krisak Choonhavan, the PM's son is a political scientist and well respected from labour. Surakiet Sathienthai is an economist (See the role of the advisory group in Surachai 1991). With the Prime Minister's backing, the team was able to obtain access to important information from any government agency and was well supported by various working groups. Important matters thus required endorsement which the advisors were forwarded to the Prime Minister and the cabinet.

The Chatichai's advisers perceived telecommunications liberalization as part of overall economic reforms and as essential for economic development. Thus, Montri's forceful privatization policy was in line with the advisory team. For example, the team recommended a law-amendment commission and worked to update outdated telecommunications laws (Sudham, July 30, 2000).

Chatichai also gained support from businessmen, particularly local business due to his connection with business. Under the Chatichai government, local telecommunications businesses were becoming an increasingly powerful force seeking means and ways to penetrate a tightly controlled market (Sakkarin, 2000). BTO schemes opened up opportunities for local business. They became agents for foreign suppliers and grew into major operators linked with BTO projects.

Most local firms were small and were in no position to compete with well-experienced foreign operators. A recommendation by the NESDB to open telecommunications market was seen by the local firms as detrimental to their survival and growth prospects. By contrast, limited privatization under BTO schemes turned out to be an advantage for the local firms. This is because while serving as foreign agents, local business built connections with the TOT and CAT, which would retain their licensing power through the BTO schemes (see Table 5.1). The connection Shinnawatra formed with the TOT, for example led to Shinnawatra being granted most of the TOT concessions. A Shinnawatra company, Advanced Info Services was granted 20-year mobile telephone while Shinnawatra Datacom received 10-year concessions for data service (table 5.2).

State protection of BTO projects from future competition provided economic rents to be shared between the state agencies and private concessionaires. Following this development, local firms were concerned more with fostering good relations with state agencies and politicians to facilitate new BTO projects than pushing for long-term reforms in the industry (Duenden, October 30, 1999 and June 21st, 2000).

Table 5.1 State-Business Connections

	CAT	TOT	PTD	NESDB	MOF	Others
Shinnawatra		Yes				Singapore Telecommunications Siam Commercial Bank Plc. Thai Military Bank Plc. Petroleum Authority of Thailand Krung Thai Bank Plc. IBM Siemens
UCOM	Yes	Yes	Yes		Yes	Thai Army Bank of America Thai Revenue Department State Railways of Thailand
Jasmine		Yes				
Telecom Asia				Yes		Telecommunications of Thailand National Newspaper Councils Bell Atlantic

Sources: Shin Corporations, UCOM, Jasmine, TelecomAsia Annual Report 1999

Note: The connection between company and state agencies in this table is assumed to exist if any member of each company's board of executives used to hold a position in state agencies. However, this does not mean that the company could influence state agencies through the connection, nor does it mean that the company could benefit from that connection. It rather implies a transformation and co-operation of interests.

3.4.1 Making Concessions

(i) Shinnawattra Group

Of the various local telecommunications groups, the Shinnawattra and UCOM were the two most successful private concessionaires during the Chatichai government. While Shinnawattra won most concessions offered by the TOT and TV/satellite communication contracts made with other agencies (Table 5.5), UCOM was the dominant player in the CAT with its mobile telephone concession.

Table 5.2 Shinnawatra concession granted between 1989-91

Company	Concessionaire	Project	Years	Expiration
Advanced Info Services	TOT	Cellular Telephone Service	20	October 2010
International Broadcasting	MOCT	Subscription Television Service	20	October 2009
Shinnawatra Paging	TOT	Paging Service	15	June 2005
Fonepoint (Thailand)	TOT	Telepoint (CT2) Service	10	May 2001
Shinnawatra Datacom	TOT	Data Transfer Service	10	March 2000
Shinnawatra Satellite	MOTC	Satellite Communications	30	September 2021

Sources: MOTC and TOT contracts with Shinnawatra.

Sakkarin (2000) argues close contact and long-term relationship between Shinnawatra and UCOM with related government agencies contributed to their initial business success. He argued ‘it should be noted that this early phase of business expansion required the kind of clientelistic relationships of the type portrayed in a bureaucratic polity analysis’. The Shinnawatra family was a long-established wealthy family in Chiangmai province, which gradually expanded its business to Bangkok. The political success of the Shinnawatra family increased after Suraphan Shinnawatra was elected to parliament in 1976 and was appointed Deputy Transport and Communications Minister in 1986 (House of Parliament, 2000). The bureaucrat connections of the family were also boasted when Thaksin Shinnawatra, the founder and chairman of Shinnawatra Computer and Communications, joined the Police Department, serving until 1987 (Transport and Communications, 4 August 1992: 35).

Sakkarin (2000) argues that the political and economic background of the family, combined with Thaksin’s familiarity with government bureaucracies and their regulations, contributed at least in part to the success of the Shinnawatra group in winning most BTO contracts. Taksin once said: ‘Because of my understanding of government rules and regulations which my competitors do not comprehend, I therefore have an edge over them in a bid’ (Dok bia 10 March 1991:117). The government privatization programmes gave the Shinnawatra Group an opportunity to expand its business from a small computer, leasing firm supplied telecommunications services and equipments and computer equipments to the Police Department and other bureaucracies in the early 1980s, into a large

telecommunications empire (Transport & Communications 4 August 1992:35). Shinnawatra also had close relationship with IBM as Shinnawatra's main supplier, which contributed to the initial success of the Shinnawatra Computer company and helped build up the reputation of the group at a later stage (Ockey, 1992:232-3).

(ii) UCOM Group

Similarly, UCOM grew from a small supplier into a major telecommunications operator in the late 1980s. UCOM owner, the Benjarongkul family, had been a telecommunications equipment supplier to many government agencies for more than four decades (Phu chad karn July 1991). The family also had an extended relationship with various bureaucratic agencies, particularly the PTD and CAT (Table 5.4). Moreover, UCOM had been the major supplier of Motorola equipment in a relationship similar to that between Shinnawatra and IBM (Telecom, April 1993:51). Boonchai Benjarongkul, President of UCOM, was quoted as saying, 'Connections are always important. No matter whether we undertake a joint venture with other private firms or not, our market is still mainly the government. Therefore, our duty is to maintain government connections. Connections mean that we know them, they know us, and they trust us. Fortunately, I and my brothers, who are from the second generation of UCOM, inherit the good deeds of our first generation. As a result, people open their doors to us when we knock' (Transport & Communications August 1991:79).

It seems that the connections between local businesses and government agencies were turned to good use. The bureaucrats gained support from business and politicians in carrying out BTO projects, while the open access to the Transport and Communications Minister and other cabinet members provided business an important condition for business growth. Business contracts with politicians helped bring about new projects, while good relationships with state agencies served to smooth out the bidding process. The number of businessmen rose from 123 in Prem to 132 under the Chatichai government. The increasing representation of business in national politics and the rapid pace of telecommunications privatization seemed to be correlated. However, it is common that politicians were linked to business of some kind in Thailand (see Chapter six).

An alliance between local business, the bureaucratic and political arms of the state was the main reason for overseas telecommunications firms being prevented from dominating the Thai market after the shift toward limited privatization (Duenden, October, 30 1999 and June 21, 2000). Some local business handled the task of finding markets for foreign companies, who were not familiar with the powerful officials in state telecommunications agencies, nor with the politicians holding cabinet portfolios (Vivatvong, July 4, 2000). Moreover, because of the law limiting foreign shareholdings of a telecommunications operator to 40 percent of the total shares, foreign investors were forced to be junior partners and equipment suppliers in BTO projects (Duenden, October, 30 1999 and June 21,

2000). Although the Thai government allowed TNCs to operate BTO projects, TNCs saw that strategic partnerships with local businesses could prove more profitable than turning their customers into competitors and alarming the government over the threat of foreign domination (Pansak and Noppanat, July 7, 2000). Foreign businesses, thus, saw an alliance with local business and state telecommunications agencies better strategy than building their connection with state agencies themselves.

3.5 Summary

The beginning of the Chatichai government marked the end of semi-democratic regime of Prem and the beginning of a more democratic party-based system. This political change together with the rapid economic growth drove the country towards economic liberalization. The political and economic reasons contributed to the fast-expanding role of business, who in turn supported Chatichai's policy to reform the telecommunications industry.

The Chatichai government employed various strategies to mobilize support from various interests for the privatization. For example, the appointment of Montri and Sriphumi on the MOTC and TOT and CAT consolidated the government control over telecommunications agencies. The government gave business direct access to cabinet members and political parties, bypassing the JPPCC and the NESDB, thus reduced technocrats' power. Moreover, they also gained support from labour union through the use of Kraisak who has a good relationship with labour.

The Chatichai government also used the BTO concessions as a strategy to create competition within the industry. The government granted more than twenty telecommunications concessions to private investors during 1988-90, believing that this would inevitably lead to liberalization (Sakkarin, 1998). The politics of telecommunications during the Chatichai regime became more complicated, not only from complex issues (privatisation-liberalisation), but also from an increasing number of players in the field.

4. The Anand governments and the return of technocrats (1991-92)

4.1 Government-Military Conflicts

The dilemma of the military in controlling the telecommunications sector versus the use of Anand as a link to other interest groups such as businessmen, technocrats and bureaucrats, turned

telecommunications politics into a series of contests between the pro- and anti-reform coalition. The pro-reform coalition combining Anand's economic ministers and key technocratic agencies aimed to amend the telecommunications laws, so as to abolish the TOT and CAT monopolies and to set up a central body to liberalize the industry. In their view, political corruption could be prevented, or at least minimized if politicians could no longer control the industry through the TOT and CAT boards (Banthit, Vimonrat and Somsri, 1994). The anti-reform coalition, which comprised of the military, labour, state telecommunications agencies, preferred limited privatization through BTO schemes; hence they opposed the total termination of TOT and CAT monopoly power. Rivalry between the two erupted in a conflict between Anand and the National Peace Keeping Council (NPKC), the coup maker, over the appointment of the Transport and Communications Minister (Banthit, Vimonrat and Somsri, 1994: 1-3). The military, joined by labour and state telecommunications agencies, also tried to block the government's legal reforms. Although the military lost its power after the May 1992 uprisings, telecommunications reforms did not proceed further at that time because the government concentrated its role on restoring political stability and preparations for a general election.

4.2 Balancing the Hegemonic Power

By 1991, the alliance prepared to work under the military after the coup. However, when Anand fell into fierce conflict with the generals who had installed him, the business associations came out in 1992 to oppose any attempt to sustain military power (Pasuk and Chris, 1997). They did this through the alliance with old military-bureaucratic forces. Although they were skeptical of parliamentary democracy due to bias from provincial business politicians during the Chatichai administration, their strategy was not to overthrow parliament. They wanted to quarantine economic policy-making from parliamentary influences (Pasuk and Chris, 1997). This had to be done by strengthening the core institutions of economic management and ensuring that people who could resist political pressure headed them (Sakkarin, 2000).

Anand's main strategy to progress the liberalization programme was to tune down the anti-reform strength. He thus formed a bloc between technocrats, cabinets and metropolitan business. This formula of technocrats-cabinet-business was possible because they held the same idea toward telecommunications and economic reform. Senior technocrat and metropolitan business people came together on the issue of rational management of the modern, globalizing economy (Duenden, October 31, 1999 and June, 21, 2000). For the technocrats, this issue represented the realization of their professional purpose. For business, it was a strategy for sustaining the economy. They came together in common opposition to what they perceived as the main threat against rational management: provincial business politicians, who were seen as ready to sacrifice long-term growth and stability to

allow the provinces to catch up with the city, or just to engineer personal or sectional gain (Pasuk and Baker, 1997:25-32). The business-technocrats position was the same as the Cabinet. Because many of the cabinet members were policy-makers in leading public and private agencies, such as the NESDB and Thailand's Development Research Institute (TDRI), the top economic agenda of the Anand's cabinet was economic liberalization, intending to make Thailand globally competitive and capable of taking advantage of the expanding regional economies (Government of Thailand, 1992).

Since one of Anand's conditions for accepting the premiership was a high degree of autonomy from the NPKC, his technocratic government was able to pass as many as 270 pieces of legislation, many of which pertained to economic reform (Sakkarin, 2000). Although the military dominated the national assembly, they did not usually intervene in these reforms. However, the scenario was different for telecommunications, which was considered by the military as an important source for economic rents. For instance, the then Transport and Communications Minister Nukul Prachuabmoh needed to put forward liberalization policy in order to modernize the telecommunications sector and reduce the economic rents shared among the politicians and bureaucrats. He could not, however, promote the policy much because of his lack of control over the key state telecommunications agencies that were in the hand of the military (Banthit, Vimonrat and Somsri, 1994:7).

The return of the military to the TOT and CAT boards in 1991 also brought back labour opposition to the reform. The NPKC was able to dominated the TOT and CAT executive boards (Banthit, Vimonrat and Somsri, 1994). Those interests opposing Anand's legal amendments are the military, TOT and CAT boards and SOE labour, the same bloc that existed under Prem. A revival of the military's involvement in SOE management seemed apparent. After the coup, many coup leaders were nominated to be members of the executive boards of SOEs such as the MCOT, TOT and CAT (Banthit, Vimonrat and Somsri, 1994). Many political observers considered this phenomenon an attempt to buy the coup group to build up its own economic base for political activities in the long run. The military was likely to play significant role in determining the government policy on SOEs, be it privatization or other forms of development (Sungsidh, 1991). The return of the military to the TOT and CAT boards in 1991 led to the restoration of a patronage system binding state enterprise executives and labour with the military (Sukkarin, 2000). This organizational relationship restored certain features of the bureaucratic polity to the domain of telecommunications politics in much the same way as the military repealed the growing power of the political parties at the national level. This coalition was determined to preserve the monopoly power of the state telecommunications agencies, even while it continued to pursue BTO schemes (Sakkarin, 2000).

Nukul, however, was able to work against the military and labour opposition, by forming his pro-reform bloc. First, he built up an alliance with free-minded technocrats across the MOTC to counter-balance the military then he used this network to pursue his liberalization policies. Nukul was able to

gain support from Rongroj Sriprasertsuk, a senior MOTC bureaucrat and TOT board member, thus avoiding direct contacts with Gen. Viroj and Gen. Issarapong of TOT and CAT (Banthit, Vimonrat and Somsri, 1994). He also appointed Pisit Lee-Atam, a former staff member of his from the BoT as a TOT board member and his aid in carrying out the tasks of drafting a new telecommunications law and revising a major telephone contract (ibid:6). In addition, Mahidol Jantarangkul was appointed the new Permanent Secretary and helped to mobilize bureaucratic support for policy reform. Nukul's second strategy was to seek political support from the cabinet and subsequent co-operation from the agencies concerned (Sakkarin, 2000). Since Anand's appointed bureaucrats dominated the cabinet, Nukul could easily win political support to proceed with his reforms at a rapid pace.

The process of legal amendment was a top-down approach, giving hardly any role to the relevant state telecommunications agencies (Banthit, Vimonrat and Somsri, 1994). Concerned that the reform would be stalled by the strong opposition they encountered, Nukul made a surprise move in proposing to the cabinet an amendment to the Telephone Organization of Thailand Act 1954 designed to abolish the TOT monopoly and empower the Minister to issue licenses (Cabinet Resolution 18 September 1991). The cabinet endorsed his proposal and ordered the Juridical Council to revise both the 1954 Act and the older Telegraph and Telephone Act 1934, before having the bills submitted to the National Assembly. All this happened before he asked state telecommunications agencies to comment on the amended laws (Cabinet Resolution 22 October 1991). This speedy decision was obviously a pre-emptive strategy intended to bring about rapid liberalization of the industry, even at the risk of injuring government-military relations.

4.3 Military Opposition

However, the military decided to confront Anand and to intervene directly in telecommunications politics. The military argued that the Minister should not hold the licensing power, as politicians tended to abuse their power and corruption would surely follow. Because of the military threat, the cabinet had no choice but to withdraw the two bills (Cabinet Resolution 12 November 1991).

This event did not discourage Nukul and his technocratic allies to pursue liberalization. This time they proposed that a central body called the national communications commission, not the Minister, would hold the licensing and other regulatory powers (Banthit, Vimonrat and Somsri, 1994:41). Meanwhile, Deputy Snoh Unakul was assigned to co-ordinate the various government agencies instead of Nukul to ease the Nukul-military conflict. The TOT and CAT were ordered to comment on the draft bills in one month, just before the end of the government's term (Cabinet Resolution 12 February 1992). However, both TOT and CAT tried to delay submitting their reports to the

government arguing that more time was needed to study the proposal (Banthit, Vimonrat and Somsri, 1994). Meanwhile, TOT and CAT officials and their labour unions launched public campaigns against the reform programme. As more urgent issues such as the general election demanded immediate government attention, telecommunications reforms once again ground to a halt.

However, after the election and the short-lived Suchinda government (April-May 1992), Anand was appointed Prime Minister again by the King. The second Anand government was a truly technocratic regime, possessing full authority to introduce any legislation it wished (Sakkarin, 2000).

Nevertheless, Anand set up a clear policy of his interim government to carry out a free and fair election, and not to initiate any legislation. Yet, Anand and Nukul took action to alter the politics of telecommunications in a way that proved amenable to the liberalization programme. The most important move was the removal of key military officials associated with the Suchinda regime from their powerful positions and also from many state enterprise boards such as Thai Airways and the TOT and CAT. Meanwhile, those technocrats supporting the liberalization policy were then promoted to important positions. The substitution of technocrats for military leaders corresponded with a fundamental change in TOT and CAT politics.

Nevertheless, the pro-reform bloc during Anand was not so strong as those of Chatichai's. Despite the government encouraged major business associations to join in, business did not play as active a role in government policy-making as it had under the Chatichai regime. Even though the technocrats serving under the Anand government were relatively autonomous from external influences, their policy orientation was in support of business having a role in the economy. In this regard, the Anand government seemed like a coalition combining the technocrats and business to counteract the influence of provincial politicians who had previously dominated Thai politics under Chatichai. Regarding telecommunications reform, Anand's reform measures and his policy of transparency were widely accepted by business in and outside of telecommunications circles burdened by economic rent-seeking (Bangkok Post, 19 December 1997).

4.4 The NPKC and the Destabilization of Labour Force, 1991-1992

The end of the Chatichai government was also an end of labour force influence. The NPKC launched an offensive against unions and the political space in which they were operating. The attack on organized labour was embodied in three pieces of legislation enacted shortly after the coup: (i) the 1991 Amendment of the 1975 Labour Relations Act, which removed state enterprise workers from coverage by the 1975 law, (ii) the State Enterprise Employees Relations Act 1991, which was to govern labour relations within state enterprises and (iii) the NPKC's Announcement 54, which amended sections of the 1975 Labour Relations Act applied to private sector workers (Banthit, 2000).

The combined effect of this legislation was to change industrial relations regulations in ways detrimental to labour but favourable to capital and the state. The military justified these changes in terms of economic imperatives, including the need for increased international competitiveness, as well as the maintenance of internal security (Sungsidh, 1991:2). For instance, a number of senior military leaders as well as Ministers strongly criticized the past action of the unions, especially SOE unions as having destabilized the national economy and created public disturbances (Thai Rath, March 19 and 23, 1991).

Given the above reasons, the NPKC's first step to destabilize the unions was therefore the isolation of SOE unions from other unions. The greatest significance in this attack on labour was the State Enterprise Employees Relations Act, which banned unions and strikes in state enterprises. The Act allowed SOE workers to form an 'association', in which the objective of collective action is less significant than the union. For example, the 'association' could protect and safeguard the employee's right and benefits, but the 'union' would have the right to seek for and protect the employees' benefits on employment conditions.

When the SOE leaders learned that both the government and the NPKC were firm on the exclusion of SOEs from the labour law, their positive attitude toward the NPKC drastically changed, and became an opponent of the government. The labour movement tried to seek help from foreign labour organizations such as the International Confederation of Free Trade Unions (ICFTU). The labour movement's campaign against the military's plan received little support from the public.

4.5 Public Turned Against SOE Unions

Sungsidh (1991) suggested that the public have long been against the SOE unions. The public saw the SOE movement as serving their own interests. For example, during the 26 SOE strikes between 1988-1990, 58 per cent or 15 strikes were linked to the move against privatization, 19 per cent or 5 strikes concerned a demand for an increase in salary and bonus, 15 per cent or 4 strikes concerned a shuffle of managing executives, the other 2 strikes called for a re-instatement of their fellow workers, and an increase in the price of products (Sungsidh, 1991: 7, Table 1). Hence, none of these strikes involved issues, which concerned the public at large.

Moreover, many of SOE unionists in the past had relied on the military to further their demand. Liberal politicians and intellectuals were thus skeptical of SOE unions' action against privatization and private joint venture in TOT despite the country's strong need for communication infrastructure

investment. The public saw a union-military alliance as legitimating the military political intervention rather than strengthening democratic traditions. For example, they refused to negotiate with the Minister of Transport and Communication over the privatization plan but chose to make a deal with the Commanders in Chief of the Army, the Navy, the Air Force and the Director-General of the Police Department. During the SOE's strike for pay increases, they cut off the international telephone and postal services for two days. Such actions damaged the country's import and export business and hence were strongly criticized by the media and the public (Thai Rath, March 19 and 23, 1991).

The civil servants, resulting from their clash of interests also disliked the SOE unions. The civil services saw SOE unions as having privileges over them despite their similar status namely, the servant of the state (Sungsidh, 1991:5). The SOE unions received better remuneration and fringe benefits, which partly resulted from the previous Labour Relations Act that allowed SOE, but not civil services, to form a union that resulted in their strength of collective action. The SOE unions' privilege also caused resentment from private sector employees. Moreover, the private sector saw that the SOE occupied important posts in the Thai Trade Union Council (TTUC), thus controlled over decision-making process. Thus, most TTUC's committee members from the private sector kept silent over the government's ban of the SOE unions (Sungsidh, 1991:5-6).

The revival of the military political intervention brought about various changes in government labour policies, the relationship between the authorities and the SOE unions, the structure of the trade union movement and the destiny of state employees. Within one year of the 1991 coup's life, the SOE union lost 186,000 members, meanwhile, the second largest council, the Labour Congress of Thailand lost up to 70 per cent of the affiliated membership of labour councils (Brown, 1997:175). Furthermore, unions in the private sector also came under attack. The NPKC's Announcement 54 was issued because the military considered the 1975 Act 'carried provision... inappropriate for current economic and social conditions' (Banthit, 1991:243).

In updating the Act, the Announcement reduced the support unions could call on during disputation by placing restriction on union advisors. It also introduced secret ballots, which meant that no strike action could be taken until at least 50 per cent of total union membership had agreed to the action. Moreover, the role of the Department of Labour was strengthened (Banthit, 1991:255-7). It is clear that after the coup, the capacity of unions to represent the interests of their members were greatly reduced. Thus, through legislative procedures which forced the restructuring of unions, federations and councils, and by altering the rules of the game in which these organizations operated, the NPKC effectively narrowed the space available to organized labour, further undercutting its capacity to represent worker interests.

4.6 Labour Opposition

Of all the three major partners, labour was the most active and important anti-reform interest, despite the fact that its strength was seriously undermined after the 1991 coup. Banned by the 1991 Labour Relations Act and State Enterprise Labour Act, promulgated by the NPKC, SOE labour unions were dissolved and their right to strike was rejected. Although this act succeeded in reducing the powers of both SOE labour and private sector unions, it did not translate into success for the government's SOE reform programmes. Even though the TOT and CAT unions fell back to their former status as employees' associations, they still pursued active roles as pressure groups against telecommunications reform by launching public campaigns as well as seeking support from the military. Ironically, while labour had every reason to be hostile to the military for suppressing its activities, TOT and CAT labour unions sided with it to reverse the government's regulatory reform in telecommunications.

Two points could explain the reason for the SOE unions to side with the military. First, the tactic of the NPKC's leader Gen. Suchinda Kraprayoon who cited that 'suffering of workers is suffering of the military' persuaded the labour of the military support (Sungsidh, 1991:1). The union believed that the NPKC would turn privatization policies to partial private joint investment (Thai Rath, March 1, 1991). Secondly, the SOE unions believed that the former government under Chatichai aimed at benefiting from privatization. It was a capitalist state and it was also an enemy of the NPKC (Sungsidh, 1991:2).

The first success of labour in defeating the first government attempt to amend the telecommunications was in Anand I (1991). The TOT Employees' Association launched a public campaign through military-connected media such as Matichon and Daily Mirror (Pasuk and Baker 2000), arguing that the new laws would make the MOTC Minister very powerful through his licensing powers. Labour also gained support from the military controlled TOT board that led to the military directly intervening in telecommunications politics, resulting in the cabinet withdrawing the two bills, aiming at abolish the TOT monopoly (Cabinet Resolution, 18 September, 22 October and 12 November 1991).

The second attempt by the Anand II (1992) to amend telecommunications laws encountered similar resistance from the same anti-reform coalition. Labour again had launched public campaigns but later this proved ineffective. Labour, then once more lobbied key military figures to intervene in the establishment of the national communications commission (Banthit, Vimonrat and Somsri, 1994). In effect, the military boldly defied the government order by suspending beyond Anand's term the submission of reports required to finalize the bills.

The labour triumph would have been impossible without support from TOT executives (Banthit, Vimongrat and Somsri, 1994). The patronage relationship between TOT executives and their employees at the time contributed to the strength of the anti-reform coalition. While Paibul Limpaphayon, the TOT Managing Director, acted as a good patron to labour by providing his employees with good welfare and benefits, labour gave him back its loyalty and mass supports. This special relationship was demonstrated in the mass support TOT labour gave to Paibul when Paibul was removed from the TOT under the second Anand government (Matichon, 19 August 1992 and Phu chad karn, 19 August 1992).

Not only was there a special relationship for labour with TOT executives, there were also a good connection between the military and TOT elites established when the military was powerful. In the same way as labour accepted a clientelistic relationship with its managers, TOT executives agreed to patronage from the NPKC, boosted by Paibul's personal and family ties with leading military figures (Phu chad karn 13 July 1992). Paibul once said 'My boss is not the man in the MOTC but he is working in suan ruen (an army compound in Bangkok)' (The Nation 6 and 10 March 1993). There is no doubt that when the military lost power following the May 1992 massacre, Paibul was transferred to an inactive post in the MOTC (Phu chad karn, 19 August 1992).

4.7 Summary

Liberalization policy was at the top of the economic agenda during the first and second terms of Anand's government (1991 and 1992). The government intended to make Thailand globally competitive and capable of taking advantage of the expanding regional economies (Cabinet Resolution, February 1989 and Siam Rath, 16 March 1990). However, both of Anand's governments were set up in special circumstances after political uprisings. It was not surprising that both cabinets faced strong resistance from military and labour over the privatization and liberalization plans.

Anand's strategy to circumvent this opposition was by seeking cabinet backing to abolish the monopoly. The government built up an alliance with free-minded technocrats across the MOTC to counterbalance the military power, and then used this network to pursue liberalization policies. This connection also helped the government to avoid direct confrontation with military-controlled TOT and CAT. During the second Anand government, the government took action to further alter telecommunications policy in a way that proved amendable to the liberalization programme. This included the removal of key military officials from TOT and CAT boards. By doing so, the

government not only reduced military power over telecommunications polity, but also reduced labour power.

The transparency of Anand's cabinet, as well as weak military and labour power, set the way for liberalization policies. Many interests were shifting positions towards greater acceptances of a regulatory regime. The idea of liberalization also increasingly penetrated the public thinking through frequent public debates and media discussions. When the liberalization policies were the top priority of the following governments' economic policy, a consensus was reached among major interests to liberalize the industry.

5. The Chuan Governments and the Growth of Liberalization

5.1 The New Historic Bloc: Political Parties-Technocrats-Business

The Chuan's liberalization bloc was comprised of the political parties, the technocrats working in the MOTC, the PTD, and relevant state agencies and business. They supported extensive reforms in the industry that would lead to the privatization of state telecommunications agencies, liberalization of both basic and value-added services and the setting up of a central regulatory body in place of the TOT and CAT. These common stances revealed a shift in the position of business, as well as the TOT and CAT, from supporters of BTO schemes to promoters of liberalization (Bangkok, 7 August 1993).

5.2 Political Parties and Technocrats

During the first Chuan government, relations between political parties and the technocrats were centered around the Palang Dharma Party. The relationship between the telecommunications business and political parties became closer when Palang Dharma controlled the MOTC. The rise of a pro-business faction led to the inclusion of prominent businessmen such as Vichit Surapongchai and Taksin Shinnawatra in the party's cabinet posts together with businessmen-cum-politicians (Mathichon Weekly Review 15: 744, 25 November 1994). Direct political participation by these businessmen not only meant the transformation of the party more towards a business orientation, but also reflected the rise to political prominence of local telecommunications business in national politics. Soon after Vichai and Taksin were appointed, the Party proposed to the government some telecommunications reforms that would privatize state telecommunications agencies and liberalize the industry (Bangkok Post 22 March 1995).

Upon assuming his office, the Minister of MOTC Vinai announced the pro-reform policy of privatizing state enterprises and promoting competition in the privatized projects (Minister Speech, MOTC 4 March 1993). This pro-reform policy was influenced by two factors: the demands of the public and the pro-liberalization of both Vinai's staff and the technocrats concerned. Because public support for Anand's liberalization policy had been overwhelming, Vinai tried to turn this support into an asset for his party.

The political parties worked closely with the reform-minded technocrats in the MOTC and other state telecommunications agencies. Major revamps of senior technocrats in the military and state enterprise boards under the Anand government left the first Chuan government with many reform-minded technocrats in control of the key telecommunications agencies. This situation allowed Vinai to pursue the telecommunications reform with ease. Among these technocrats, the MOTC played a crucial role in co-ordinating various state agencies and the communications committee in carrying out Vinai's privatization policy (Nualnapa, August 21, 1999). Two communications committees were set up during Vinai's period to carry out a reform as well as to regulate government-business contacts. Committee's staffs were technocrats, businessmen, and Vinai's aides (Phu chad karn 30 March 1993). The main activities of the reform were the abolition of state monopolies, liberalization in both basic and value-added services and the establishment of a central regulatory body and consumers' participation in the decision-making process (ibid.).

Sethaporn Cusripituk, the Deputy Director General, who was responsible for the amendment of telecommunications laws, led the role of the PTD. Although Sethaporn preferred an independent and professional commission free from political interference, he had to make a concession to political parties to allow the Transport and Communications Minister to chair the proposed regulatory body in order to push through the initial reform. In order to counterbalance the power of the Minister in the proposed regulatory body, Sethaporn designed the commission to be as widely representative as possible (The Nations, 1 March 1993).

5.3 Political Parties and Business

The changing relations between political parties and business can be seen in the transformation of Palang Dharma from a party based on the lower and middle class to a semi-middle class, semi-business party linked with the telecommunications private sector. While the role of the business community in telecommunications politics was neither direct nor clear under Anand, its role had been much more active since Chuan I, particularly through the political parties (See chapter six). The

increased role of business in national economies in general and in the telecommunications sector in particular stemmed from their economic expansion nationally and internationally.

Table 5.3 Overseas Investment of Thai Telecommunications Groups

Business Group	Project	Country
Shinnawatra	Trading	USA
	Postal Services, Paging Services	Vietnam
	TV Broadcasting, Telecom Services	Cambodia
	Telecom Services	Laos
	Telecom Services	Philippines
	Paging Services	India
Jasmine	Trading, Telecom Services	Cambodia
	Telecom Services	Philippines
	Submarine Cable	India
	Trunk Radio	Malaysia
	Satellite Mobile Telephone	Indonesia
Samart	Trading, Mobile Telephone	Cambodia
Telecom Asia	Basic Telephone, Satellite Communications	Vietnam
	Telecom Services	China
	Paging Services	India
	Telecom Services	Cambodia
Loxley	Trading, Mobile Telephone, Paging Services	Burma
	Satellite Communications, Video Conference, Cable Services	China
	Trading, Mobile Telephone, Paging Services, Video Conference	India
	Trading	Laos
AT&T	Submarine Cable	Vietnam-Thailand-HK
	Data Communications	Japan-Singapore
	Trading, Mobile Telephone	China

Sources: Shinnawatra, Samart, Jasmine, Telecom Asia, Loxley and AT&T Annual Reports 1999

During the early 1990s, local telecommunications groups had grown from small operators of value-added services into large enterprises engaging in both basic and value-added projects in Thailand and abroad. From a tiny computer-leasing firm in 1982, Shinnawatra had grown into a large conglomerate employing more than three thousand people by the early 1990s. By 1995 Shinnawatra controlled at least 25 companies in five main lines of business: computer and telecommunications equipment, mobile telephone and data communications, satellite communications, broadcasting and

Pay TV business and international operations (Shin Group Annual Report, 1997). Likewise, Samart had developed integrated telecommunications operations, which included manufacturing, servicing, system engineering, and trading business (Samart Annual Report, 1999). UCOM and Loxley had each expanded into more than ten telecommunications firms, extending from data communications to mobile and basic telephones (Loxley Annual Report, 1999 and UCOM Annual Report, 1999). Despite their late start, Telecom Asia and Jasmine were involved in large basic telephone projects and had rapidly diversified into many value-added services (TelecomAsia Annual Report, 1999 and Jasmine Annual Report, 1999). These telecommunications groups also expanded their operations offshore in response to the rapid growth of the industry in Asia (See Table 5.3).

Table 5.4 Business Growth (Loss)

Year/Account	Shin	UCOM	Loxley	TA
1989				
Revenues	368	832		
Profits	53	5		
Assets	686	719		
1994				
Revenues	25,513	9,975		
Profits	4,302	1,845		
Assets	55,976	19,326		
1998				
Revenues	12,935	37	9,243	11,744
Profits	(702)	4,415	1,271	10,791
Assets	22,432	85	12,580	104,474
1999				
Revenues	16,388	25	7,808	12,964
Profits	1,322	(5,911)	(815)	(6,360)
Assets	25,566	75	14,051	98,816

Note: Unit in million baht

Sources: Shinnawatra, UCCM, Loxley and Telecom Asia Annual Reports 1989, 1994, 1999

The astonishing growth of local telecommunications firms from unknown operation/equipment suppliers into integrated telecommunications empires during the late 1980s and early 1990s had dramatically transformed the outlook of these businesses from defenders of state protectionism to promoters of state liberalization. Shinnawatra's profit increased from 53 million bahts in 1989 to

4302 million bahts in 1994 or more than 80 times. Similarly UCOM gained over 350 per cent profit increase from 1989 to 1994 (Table 5.4). Because their dominant positions at home ensured them a head start in any future competition, these firms urged the government to abolish the state monopoly in order to increase their home opportunities.

As their businesses matured, these operators correspondingly promoted greater liberalization of the industry to expand home business opportunities. The increase in telecommunications business, the growing dominance of parties in national and telecommunications politics and the more intertwined relations between the two contributed to the progress towards the liberalization of this industry.

The economic crisis in 1997, however, had greatly affected the strength and business potential of Thai telecommunications businesses. Because of their huge foreign debts acquired to expand investments at home and abroad, these firms suffered dearly when Thailand devalued its currency in July 1997. The economic downturn had also reduced their earning because of business collapse and bankruptcies. It was estimated that the debt to equity ratio of Thai telecommunications firms had changed from 1.9 in 1996 to 9.2 in 1998 with the total outstanding debts amounting to over US\$ 6 billion. This sector also reported a combined net loss of 75.12 billion baht (US\$1=40 baht) in 1997 against the net profit of 9.29 billion baht in 1996 (The Nation 13th July 1998). Shinnawatra reported net loss of 702 million bahts in 1998, while UCOM, Loxley and TA all reported loss of 5911, 815 and 6360 million bahts respectively in 1999 (Table 5.9). Therefore, the local firms were forced to look for strategic partners and foreign investors for fresh capital to ensure their business survival, leading to the dilution of family control of the business. For example, Samart sold a 20 percent stake in Samart Corporation and 33 percent shareholding in Samart's Digital Phone to Telecom Malaysia for US\$ 200 million (Far Eastern Economic Review 26th June 1997). There was also mergers among local firms such as those of Shinnawatra and Telecom Asia on Pay TV businesses (The Nation 28th August 1998). The need for merger and corporation among local and foreign firms resulting from the economic crisis could therefore be said have accelerated the liberalization process.

5.4 SOEs Joining the Bloc

The expansion of Thai telecommunications firms not only increased their power in telecommunications politics, but also changed the relationship between the TOT, CAT and business. The relations between business and SOEs is characterized by the graduation of business from a subordinate position as mere clients of TOT and CAT bureaucrats towards business partners in domestic and overseas investments. The relationship led to the new policy favoured by the technocrats of replacing BTO schemes with joint ventures. The joint venture schemes were aimed to facilitate future reforms. The success of business expansion in Thailand and neighbouring countries,

and the goal of state telecommunications agencies to become regional players were major factors shaping state-business relations that promoted their partnership in the region.

Once held as the best available means to carry out private participation, BTO schemes were later seen as a burden of telecommunications liberalization (Sriphumi, 10th July, 2000 and Poomchai, 27 June 2000). In addition, BTO schemes were seen as counter-productive in the long term as they required revenue sharing with private operators (Vollobp, 18th July, 2000). Since the technocrats no longer favoured BTO schemes, the TOT and CAT resorted to joint ventures with the private sector in carrying out new projects with limited capital. By comparison, joint ventures, which did not lead to private control of the projects, would ensure the two agencies of their long-term benefits, while BTO schemes could lead to the projects being privatized and transferred to the investors. (Vallobp, 18th July, 2000). Moreover, many joint ventures in similar services could be carried out since both state agencies were not bound by BTO contracts requiring them to transfer their monopoly rights to private operators (Vollobp, July 18, 2000). The TOT and CAT could practically promote the liberalization of the industry through minor shareholding in business ventures. Therefore, the CAT and TOT formally adopted joint venture schemes with the private sector before the finalization of the privatization and liberalization programmes (Phu chad karn 12th January and 13th February 1995).

In addition to their pursuit of business objectives, the TOT and CAT also formed tri-party ventures with local firms and neighbouring countries. Whereas the TOT and CAT were good at providing expertise and connections with state telecommunications agencies in neighbouring countries, local telecommunications groups could provide capital and management skills in their overseas ventures (Pansak and Noppanat, 7th July, 2000).

The TOT had been more amenable to policy changes since the rise of pro-reform technocrats led by Rongroj Sriprasertsuk and Jumpol Herabat under the second Anand government (Banthit, Vimornat and Somsri, 1994). The TOT under Rongroj agreed to abide by the first-phase liberalization in value-added services indicated by the Seventh Plan (1992-96) and the Communications Master Plan (1992-2001). As the pro-liberalization technocrats became more dominant, the TOT was forced to adapt itself to the global course of liberalization. The TOT policy direction was more and more influenced by GATS and the Communications Master Plan, which aimed to deregulate the industry in 2001 (Pansak and Noppanat, 7th July, 2000). TOT executives now regarded the privatization of their organization as necessary preparation for the imminent liberalization (Rongroj speech, 4th March 1993). In Rongroj's view, an independent regulatory body was needed to ensure free and fair competition between large and small operators (ibid.). Moreover, the TOT board agreed in early 1995 to turn the state enterprises into a public listed company. However, this plan was suspended as a result of many revisions to the Master Plan caused by frequent changes of government during 1995-1998. As of late 1998, a comprehensive study on the conversion of BTO concessions and

privatization of state telecommunications agencies was commissioned by the MOTC, with a view to opening up the market for competition in 2001 and full liberalization in 2006.

5.5 CAT and the Reform

The CAT's position on the reform moved back and forth during the mid 1990s due to frequent changes of its board. During the period of the first Chuan government, the CAT adopted a pro-reform policy (Phu chad karn 26th November 1992). A significant development in CAT policy was that BTO schemes were not suitable for society because of its high cost to society. Because BTO biddings forced operators to offer very high premiums to the state in exchange for licenses, business and consumers had to bear large cost burdens. Hence, the CAT opted for privatization and liberalization of the industry as the solution by which the balance of interests of government, private investors, and consumers could be maintained (Boonklee, 4th March 1993). Along with the TOT's action, the CAT hired a consultancy to make preliminary recommendations for its organizational reforms (TDRI, September 1993).

When Smith Thammasaroj was appointed, however, he did not stick to the TRDI recommendation. Although he agreed with the abolition of the TOT and CAT monopoly, he preferred that the PTD be empowered to carry out the tasks, which the planned central regulatory body was to be assigned. In his view, the lack of PTD presence in both state enterprise boards in the past was the main reason impeding their co-ordination that was essential for telecommunications development. Moreover, clientelism caused by political interference and policy changes by political parties were perceived as seriously undermining the management of these organizations (Thansetakit 7th January 1993). Smith's view could be seen as the traditional view of technocrats aiming to preserve or empower the state organizations. He argued, 'The CAT is too big to be privatized. The most probable alternative is the privatization of the newly created projects. By the time I am retired, the privatization of the CAT may still be at an embryonic stage' (Prachachard thurakit 11th February 1993).

However, the CAT's politics was more complex than competitions between the bureaucrats versus the technocrats. Business-truned-politicians also involved. For example, the removal of Chavalit Thanachanan, the Anand-appointed CAT Chairman was an attempt by the Social Action Party (SAP) to control the state telecommunications agencies in competition with technocrats and other political parties (Pra chachart thurakit, 12 Spetember 1993). The high tension between Palang Dharma and SAP led to a compromise in which the former took charge of the TOT and the latter controlled the CAT.

The consolidation of Samak (MOTC)'s power through the CAT's Chairman would allow Somsak (MOTC)'s intervention in CAT affairs, particularly on BTO projects. During SAP's one-year term in

the coalition, Somsak managed to create many multi-million baht projects under BTO schemes such as the international gateway project (3.5 billion baht), a postal distribution centre (1.6 billion baht) and a submarine cable system (2.5 billion baht) (Prachachard thurakit 7-10th February 1993). However, some projects faced strong opposition from the CAT and its labour, as well as public scrutiny. In the end, Vinai asked Somsak to wait for the TDRI study.

The CAT, however, moved to support liberalization when the Serithum Party, during a cabinet reshuffle, replaced SAP. In order to pursue his liberalization policy, Pinit Jarusombat, the pro-reform Deputy Minister ordered open competition for CAT licenses of value-added services while pressing ahead with telecommunications law amendments (Phu chad karn 29th July 1994). However, the privatization of the CAT was delayed during the mid-1990s as a result of political changes. The privatization of both TOT and CAT depended on the comprehensive study on privatization conducted by the MOTC in late 1998 (Poomchai, June 27, 2000).

5.6 The Old Bloc in the New Shell

During this period, labour had a very limited role in telecommunications politics. As discussed in the previous section (5.4.3), the National Peace Keeping Council (NPKC) was able to destroy labour's political power, through the 1991 Labour Relations Act and the State Enterprise Act, which control labour activities. Although the democracy was restored after the Chuan government, SOE labour unions remained restricted because the right to strike was still highly regulated (Siam Post, 21st November 1994). Moreover, both TOT and CAT boards of executive have changed their position towards private participation and liberalization policy.

Prime Minister Chuan pledged to establish a more liberal, democratic and constitutional political system. Given this reason, disorganized labour had allied itself with the pro-democratic forces, and hoped that conditions would be improved. The labour movement presented the Chuan government with a broad range of demands including the rescinding of NPKC Announcement 54, the restoration of basic rights to SOE workers and the amendment of the 1975 Labour Relations Act (Hewison and Brown, 1994:508).

However, despite making some efforts, the Chuan government moved cautiously on labour issues and was soon being criticized as slow and ineffectual. In fact, 1993 was described as a year of 'tragedy' and 'crisis' for labour (Banthit, 1993). During the Chuan I, labour played a very limited role in telecommunications politics because the Anand government enacted two labour laws – the 1991 Labour Relations Act and the State Enterprise Act – to control labour activities. Although labour union rights were restored in 1994, they still remained restricted because the right to strike was still highly regulated (Bangkok Post 11 September 1994).

However, the government established the Ministry of Labour and Social Welfare in 1993. The Prime Minister as a demonstration of the importance the administration attached to labour and social welfare (Chuan, 1993:98-99) established a Ministry devoted to them. Tripartism had been accorded growing recognition by elements of labour, technocrats and many capitalists, who have all argued that labour relations needed to be placed on a more stable and institutionalized footing (Brown and Frenkel, 1993:85-86). However, an increase commitment to tripartism does not mean a diminution of the repressive side of labour control. A labour's leaders harassment continued to be common in dealing with labour activities (Banthit, 1993). The struggles of the labour force in the 1990s were thus not in the form of a struggle between two well-organized classes of labour and capital. Rather, labour was essentially concerned with creating and maintaining a degree of autonomy, independence and space within which it could develop its organizations and legitimately contest the dictates of capital and the state over issues such as wages and conditions, occupational health and safety, short-term employment contracts, social welfare and the introduction of new technology (Somsak, 1995).

Although the political leverage of labour unions picked up again during the Chuan I government, their role in telecommunications politics had remained limited in the 1990s. Telecommunications politics since the Chuan I had shown the shifting positions of many interests towards greater acceptances of privatization and regulatory reforms. As the idea of liberalization penetrated public thinking and was turned into a hallmark of the first Chuan government's economic policy, a high degree of consensus was reached among major interests in favour of liberalizing the industry. The political decline of the military, coupled with the increasing liberalization of the industry, forced labour to shift its stance significantly to a demand for privatization and organizational reforms in preparation for the increasing competition in the industry.

Labour thus was forced to compromise on privatization policy. However, labour was still concerned about the idea of a central regulatory body for fear of the MOTC's motive. Competition among state telecommunications agencies, as well as political intervention from politicians led labour to suspect that the planed transfer of regulatory power from their organizations to the proposed body was a ploy by the MOTC to hold on to this power itself. When Vinai was appointed Minister, the TOT labour requested him to review the establishment of the central commission (Phu chad karn 17 November 1992). In this sense, the motive of the SOE to privatize the TOT and CAT without the abolition of their regulatory power could mean either that their monopoly would continue, but in private hands, or that predatory practices would still arise in the telecommunications industry.

The decrease in political power of SOE labour unions also mirrored the decline of the military support and roles in national politics. The decline in the military power resulted from political

strategies of a number of governments to reduce the military role in the national and telecommunications scenes.

However, it had been argued that the decrease of the military role should be seen in a slightly different light. While it is clear that the military is keeping a low profile, Girling (1981a) had suggested that its role should be seen as changing, rather than reducing in telecommunications politics. Since the military could not compete with other forces, especially business and dare not destroy them, they decided to join them. It should be seen as a 'mutually profitable bargain' (Girling, 1981a: 79). Pasuk and Baker (1997) agreed. They explained, giving General Chavalit Yongchaiyudh as an example, that in the 1990s General Chavalit projected himself as the new leader of mandarin (business) conservatism. As a military strategist in the early 1980s, Chavalit had contributed to the plans for building wider bases of social support for army rule. In the mid-1980s he rose to be the army's head just as the ladder of succession to the premiership was knocked down. He followed a trend for political soldiers to enter parliament, and in 1989 he formed the New Aspiration Party, with a core of other retired soldiers and officials. Through the crisis of 1991-92, Chavalit and his party appeared to be aligned with the liberal, anti-military camp. However, this was a temporary illusion created by military factionalism (Pasuk and Baker, 1997:24). Chavalit came from a different military faction to the coup-makers and opposed their strategy for restoring military influence (Hewison, 1993a). After the fall of the coup group, however, Chavalit gradually emerged as the focus for the defence of military and bureaucratic power.

Chavalit became Minister of the Interior in the 1992-95 Chuan government. During this time, he sank several proposals for administrative decentralization. In 1995-6, Banharn Silpa-archa appointed Chavalit to Minister of Defense. He again reshuffled the military hierarchy to secure his personal support base and to prevent a resurgence of the 1991 coup leaders. During his short-life government in 1996, he publicly defended army interests, particularly defence spending projects against attacks from other partners in the government coalition.

5.7 Summary

To sum up the events, table 5.9 summarized the development of telecommunications politics during the four governments under discussion. The table demonstrates that each government was at some extend, successful in putting forwards the telecommunications reform.

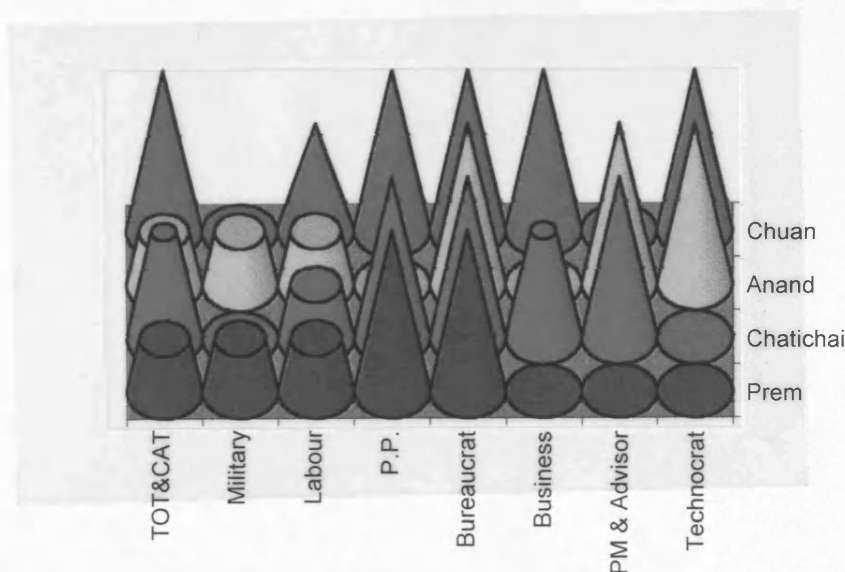
During the Prem government (1980-88), Samak Sundharavej, the then Minister of MOTC, introduced BTO schemes in 1986, aiming at relaxing the rule of entry into the telecommunications market. Although the government failed to revise telecommunications law and regulations, it succeeded in setting the pace for telecommunications reform. SOEs were divided into categories in

order to be kept, privatized, or scrapped (Table 5.5). this success was also illustrated in figure 5.1. At the beginning of the telecommunications reform, Prem was opposed from a number of anti-reform alliances - TOT, CAT, military and labour. However, prem managed to build his own bloc comprised of political parties, NESDB, MOF and MOTC (Figure 5.1).

During the Chatichai government (1989-91), the BTO scheme was expanded to cover larger telecommunications projects. Although liberalization was not seen as necessary during the Chatichai government, privatization was carried out through the BTO scheme (Table 5.10). The BTO scheme boosted Chatichai's support because it provided all parties economically. TOT and CAT, previously the opponents of the program, thus moved into liberalization bloc (Figure 5.1). The shifting position of CAT and TOT politically affected labour forces and pushed them towards a more compromising position on limited liberalization. Chatichai also appointed a number of people he trusted to work for him. By doing this, he could consolidated his power as well as the privatization and lioberalization plan.

During Anand governments, privatization and liberalization plans did not progress because of political reason. Anand governments faced strong resistance from military and labour over the (Figure 5.1). Labour, especially SOE Unions were the most active and important anti-liberalization interest since the Prem administration. Its strength relied on military support to reverse the government's liberalization plan.

Figure 5.1 Position of Players involved in Telecommunications Liberalization 1980-2000



A full cone means a strong support for liberalizations. The level of support decreased when the cone is reduced. If the cone is flat, it refers to anti-reform.

Nevertheless, Anand was able to eliminate the military power by employing various strategies such as building a bloc with reform-minded bureaucrats, business, and technocrats. He also avoided head-on crash with the military. The transparency of Anand cabinet, as well as the weak military and labour power, set the path for the first and second Chuan government's liberalization policy.

While labour was earlier reluctant to accept this, it gradually came to accept it, provided that liberalization of the telecommunications industry would have to follow the successful privatization of TOT and CAT (Figure 5.1). The final acceptance of TOT and CAT is the embodiment of the 'hegemonic project', where TMP (Telecommunications Master Plan) was published in 1997. The TMP was aimed to speed up liberalization, set up the National Telecommunications Council and revise outdated telecommunications laws and regulations.

Table 5.5 Summary of Telecommunications Policy of Four Governments

Governments	Prem (1980-88)	Chatichai (1988-91)	Anand (1991-92)	Chuan (1992-95 & 1998-2000)
Policy	5 th National Economic and Social Development (1982-86) reflected privatization.	6 th NESDP (1987-91) stated that privatization was necessary.	Replaced BTO with Joint venture as BTO led to corruption.	7 th and 8 th NESDP (1992-96 and 1997-2002) detailed liberalization plan.
Activities	Divided SOEs into 5 categories.	BTO scheme to allow private participation in state economic affairs.	Private participation in State Economic Affairs law 1992.	Communications Master Plan drafted in 1995, issued as Telecommunications Master Plan in 1997.
Results	Many failed attempts to revise telecommunications law and regulations to eliminate state monopoly.	Full liberalization is desirable but not necessary.	Successfully reduced military role in telecommunications affair by replacing them with reform-minded technocrats.	Set up committees to oversee privatization, to select National Telecommunications Committee and to amend law and regulations.

SPECIAL NOTE

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Per Original.**

CHAPTER SIX

Bargaining Power of the Business Faction

1 Introduction

Chapter five revealed that the economic boom during the 1980s brought in new economic groups such as telecommunications interest, provincial businesses and new politicians. These groupings were trying to pull the reins of power from the hands of the old elite. These new economic groups include long-established politicians, 'new era' political actors who are increasingly powerful and independent civilian-based political parties, young capitalists, independent of the old business groups and the military and relatively young, well educated private sector employees and business owners (Pasuk and Baker, 1999).

The new capitalists were particularly confident. These were business people who found that, for the first time, they could bypass the big banks, which they saw as part of the control apparatus of the old elite, monopolizing capital (Hewison, 1989). The change in the economy allowed them to borrow from non-bank resources such as investment funds from foreign lenders and investors.

There was strong support for the Chatichai government among this new class. They perceived the old elite as inefficient; saw the industry as over-regulated, inefficient SOEs and monopolistic business practices. Thus they favoured the new approach to deregulation to enhance and spread the benefits of the private sector.

New players also saw traditional-style political players recasting themselves as progressive, liberal and democratic. The Chatichai government took strong measure to reduce the power of the military in non-military roles, including the control of the TOT and CAT Board of Executives. They also tried to reduce the power of the bureaucracy by reducing the influence of the NESDB.

These new players also tried to ally with the public, for example, they supported the public in bringing down the Suchinda government in May 1992 events (Baker and Pasuk 1999). The Shinnawatra group is an example among these new players. Thaksin Shinnawatra, scion of a Chiangmai business family and former police officer turned businessman, earned his new elite credentials by obtaining some of the country's first private telecommunications concessions. His hugely successful paging, cellular telephone and subscription television services gave him a 'can-do'

image. He was listed as worth over US\$2 billion worth, which he used this to move into politics as the head of Palang Dharma Party in 1995.

In telecommunications, both private companies and the telecommunications Association of Thailand (TCT) displayed some degree of autonomy vis-à-vis the government, and examples of their capacity to influence policy are not uncommon. Since the form of state has been found to be the determining influence on the development of telecommunications and social forces, the orientation of classes toward the state, their channelling into political action, is a crucial historical question.

Prudhisan (1974:538) suggested that to conclude that business associations had little policy influence might be wrong because these associations have influenced over policy implementation. In Thailand the hidden face of power concerns not only control over policy agendas but also influence over the policy implementation process. This power is particularly important in Thailand because the policy content of legislation is generally vague, leaving wide leeway for administrative policymaking in implementations. Anek (1992) agrees with this argument. He argues that associations that have a close and regularized relationship with government agencies display some degree of autonomy vis-à-vis the government.

In this chapter, the study examines business influences in the political action. Three cases will be examined. They are the data communications project, three-million-line telephone project and concession conversion. The study tries to demonstrate the conflicts and cooperation between business and the state during the implementation of the telecommunications reform. These three cases are discussed so that the patterns of business influence in the telecommunications politics could be examined to help us understand state-business relations better. By looking at these cases, we could ask two major questions fundamental to telecommunications politics. First, who was involved and what were their interests? Second, how did the results reflect the fluctuating influences of those key actors or institutions? In doing so, the chapter starts with examining the channel of business influence, namely direct participation and group-based lobbying. Then, processes in telecommunications industry are discussed. Finally, three telecommunications projects are explored to reveal those state-business relations.

2 Business Influence

Chapter Three explained that business gained political influence for two reasons. First there was transition in socio-economic developments. Secondly, this socio-economic development changed the political atmosphere from an authoritarian Bureaucratic Polity period towards a semi-democratic period.

As the bureaucratic polity, an element supporting clientelism, has declined, the status of private business has been upgraded. Moreover, private business offered better salaries and fringe benefits, thus, it could attract more highly trained and qualified professional personnel, especially those with education and experience from abroad. This added more prestige to the image of the business community. Above all, chronic economic problems such as inflation, unemployment and trade deficits had caused the government to turn towards the private sector for consultation and co-operation. This is evident from the statements made in successive NESDPs. For example, it has been clearly emphasized in the third plan that the relationship between the government and the private sector must be developed and the private sector should be encouraged to play a greater role in economic and social developments.

These two aspects changed the government-business relation from clientelism to direct participation and group-based lobbying.

2.1 Direct participation

During the bureaucratic polity period, the businessmen generally refrained from open and direct participation in government and politics, while bureaucrats constituted the major group controlling political power. However, during this period businessmen seemed to gain major political roles and influence (Anek, 1988:452). This is reflected by the occupational distribution in the House of Representative and in Thai cabinets. Suriyamongkol and Guyot (1986: Table VII) showed that the numbers of businessmen in the House of Representatives increased from 19.2 per cent in 1933 to 38.3 per cent in 1983. By contrast, the number of Bureaucrats in the House of Representatives decreased from 34.6 per cent to 10.2 per cent. Anek's study (1988:454) emphasized this trend by showing just 6.9 per cent of bureaucrats in the House of Representative in 1986. The studies of businessmen in Thai cabinets during 1963 and 1986 also accentuated these finding. Suriyamongkol and Guyot (1986: Table VIII) found no businessmen in the Sarit government (1963-1968), while Anek (1988: Table 2) reported 21 businessmen or 47.7 per cent of the total cabinet members in Prem V¹ (1986-1988).

The direct participation of businessmen in politics and government is not limited to the House of Representatives and the Cabinets but also extends to the political parties. The leadership of the three major political parties: Chat Thai (CTP hereafter), Social Action (SAP hereafter) and Democrat is now controlled by big business. CTP's leadership has been dominated by big business from the

¹ Prem reshuffled his government five times during his administration of 1980-1988, thus known as Prem I-V.

beginning. The defection of some factions from the SAP has left it with a majority of leaders with a background in big business. The same is true for the Democrat Party, traditionally the mainstay of the middle classes, which was also permeated by big business during this period (Anek, 1988).

2.2 Group-based Lobbying

During the bureaucratic polity period the practice of exerting influence on the government through formal trade associations was hardly known. The situation improved slightly during the 1970s. This happened because trade associations had gained more experience and were seen by businessmen as an additional channel for exerting influence on the government without having to give up clientelistic practices.

Montri (1979:382-411) stated that trade associations had developed several tactics and strategies to influence the government. The best knowns are as follows.

- i) **Market influence:** Members of trade associations might collude to restrict trade in ways which would create trouble for consumers or the national economy and obtain more bargaining power with the government.
- ii) **Multi-pronged pressure:** This is a tactic whereby associations try to influence the government by applying pressure at different points at the same time to maximize the chances of achieving a particular goal. One of this most popular ways is sending letters voicing their grievance to several appropriate bodies.
- iii) **Holding seminars:** Seminars are used as an arena for associations to meet government agencies to make necessary modifications and adjustments.
- iv) **Contributions to charities:** Trade associations make contributions to charities with the primary aim of influencing the attitudes towards the associations of the government agencies and high officials who are personally identified with particular charitable projects.
- v) **Social functions:** Parties, luncheons and dinners organized by trade associations are used to establish relationships with senior administrative officials.
- vi) **Protests:** This strong tactic to defend their interests may be used, should circumstances leave them with no other alternatives.

Nevertheless, the activities and roles of trade associations during the 1970s were still relatively minimal and limited despite the change from a military regime to a democratic one during the student revolutions of 1973 and 1976. As Montri (1979:450-451) put it:

Functional associations did not grow in number, did not become highly active, did not exert any great impact on political and policy matters, with the exception of labour unions... In fact, little was heard of their operations: their activities were rarely reported in the news media. They went on interacting with the bureaucrats and shunned contacts with other political centers and pressure groups. Probably, they were fully aware of the few benefits they would have gained from the new involvement. For this reason, function associations, especially trade associations, play little role in the period of open politics.

However, trade associations had become increasingly active in the 1980s. News about complaints, grievances and demands from chambers of commerce and trade associations were reported mostly daily in the business sections of news media. A content survey of an established semi-weekly business newspaper found that the frequency of reports on the activities of trade associations and chambers of commerce jumped from none between 1978 and 1979 to 8 per month between 1985 and 1987. From 1979-1981, the early years of semi-democracy to 1985-1987 the figures increased by about 87 per cent (Anek 1988:457). Moreover, business associations had developed several modern tactics for influencing the government, such as giving press conferences and conducting research to generate data to support their arguments and causes.

Trade associations concentrated their lobbying and other influencing activities on the executive branch of the government during the 1980s. Anek (1988) conducted a survey among Bangkok-based trade associations and found that most contact made by the trade associations was at the departmental level (director-general). His content study of summonses issued by the House of Representatives to business associations for testimony or consultation showed that during 1984 and 1987 an average of 4.45 persons a month representing some kind of associations were summoned, compared with 0.13 between 1975-1978 (Anek, 1988:458). This indicates that contact between the legislature and business associations had also increased considerably.

The growth of this newer form of business influence on the government by using group-based lobbying developed to a stage where a formal channel of communication and interaction was established. In 1981, the national Joint Public and Private Consultative Committee on Solving Economic Problems (the JPPCC) was founded. The Prime Minister was the chairman of the committee. The members of the committee from the public sector were ministers in charge of economic affairs, and the members from the private sector were representatives from the three major private institutions in Thailand: the Thai Chamber of Commerce, the Federation of Thai Industries and the Thai Bankers' Association. The NESDB served as the secretariat of the committee. It is worth noting here that there is no labour, farm or public enterprise representation on the committee.

Anek (1989) also argued that not only was business the strongest social force, it also shared power equally with the state in economic policy-making. Anek explained that the power of business interest was demonstrated by the rise of interest groups within the business community. The interest groups lobbied government decision makers, but more importantly joined with technocratic actors in the government who shared a similar agenda. In Thailand where the technocrats have not generally benefited from a level of insulation, they had to be patient and press their arguments when the governments suffered temporary revenue shortfalls because of fluctuations in commodity earnings. They have had to seek allies where they could find them, both nationally and internationally, and they have found many willing partners in the demand for new institutions within the growing and increasingly competitive capitalist classes of the region. In this view, the government decision-makers are not viewed as neutral processors of competing demands coming from diverse set of societal actors. Rather, the government technocrats have the same goals as one set of societal actors, and they work together to transform government policy and patterns of decision -making.

These mutually supportive relationships with elements of the private sector have strengthened the influence of business and technocrat in the policy-making process. Anek demonstrates growing numbers of capitalists irate at the inefficiencies created by the continuing protection of 'infant industries' and the patrimonial redistribution of wealth to favoured investors. These capitalists prefer to work with the technocrats in a joint effort to open the economy, to reduce government intervention in the economy, and to make it possible for the more efficient and aggressive capitalists to compete in a world market. Anek sees Thai politics 'as being mainly the struggle between the military-bureaucratic elite and the extra-bureaucratic forces'. What makes the contemporary period different is that 'organized business, a major societal group, has become strong enough to break the monopoly of the military-bureaucratic elite with regard to the economic policy-making of the state' (Anek, 1989:XI). And when the state suffers from declining revenues, it needs the support and cooperation of business (Anek, 1989:78-81).

There have been many examples of telecommunications business firms pressuring state agencies to relinquish tight control of certain value-added services and to streamline their regulatory practices. These include the paging services during the Prem government, the telephone services during the Chatichai government, and data communications and mobile telephones during the Chuan I government (Duenden, 21 June 2000).

3. The Origin of Business Influence in the Telecommunications Sector

Before the privatization of the telecommunications industry, Japanese and European businesses dominated the Thai telecommunications market mainly as equipment suppliers and system operators.

For instance, NTT, Mitsui and NEC set up most of existing telephone networks in Bangkok while the provincial networks were mainly built by Ericsson (Phuchadkarn, 27-28 March 1993). Long-distance telephones systems also based on microwave communications were largely developed by Fujitsu and Toshiba (Supapol, 1991). Equipment purchases and turnkey projects were traditionally contracted directly with these foreign firms. For example, Ericsson was contracted to establish telephone switching centers and mobile telephone systems for the TOT and CAT. AT&T was selected to install international telephone systems and outside plant equipment for the TOT and CAT while Alcatel was chosen for microwave radio systems and telephone switching centers by TOT and the Ministry of Defence (Bangkok Post, 9 March 1993 and Phu jad karn, 29 March 1993). It was understood that local agents working for foreign companies played significant roles in lobbying for these contracts. An evident of this lobbying came through a 'repeat order' of the means by which contracts with foreign suppliers were made or old contracts renewed. Free competition was not always the norm because open bidding rarely took place.

The predominant role of foreign operators as TOT and CAT partners was severely undermined when privatization took place and local telecommunications groups started to prosper. Since the late 1980s, local telecommunications groups have overtaken foreign business as the major associates in many telecommunications projects. They established good connections with the SOEs while serving as local agents for foreign businesses, which later put the local firms in an advantageous position.

Local firms were concerned about foreign control over their operations. For example, Boonchai Benjarongkul, UCOM president, stressed that 'UCOM is not Motorola Thailand; we are purely Thai. Motorola has no shares in UCOM. We want to be free from foreign control. We do not want to be dictated to by Westerners' (Transport and Communications, 4:35, August 1992). Despite his recognition of the importance of foreign partnership, Taksin Shinnawatra of the Shinnawatra Group made this cautious remark: 'If it is a joint venture in which we are the majority shareholder, there will never be a problem. Otherwise, we will lose our leadership and no longer be ourselves' (Transport and Communications, 4:35, August 1992).

Although bureaucratic and political connections were not necessarily translated into autonomy of certain telecommunications groups over the others, they created the kind of relations from which favouritism could arise. Moreover, the most successful groups were known to have good bureaucratic and political connections one way or another. Shinnawatra, the most diversified telecommunications group, which built up its business empire mostly from TOT concessions, was often chosen as the winner in bids for contracts because it made better financial offers than others (Far Eastern Economic Review, 13 December 1990). Connections with the TOT, the Army, the Thai Military Bank and the CTP were believed to be crucial elements behind the success of Shinnawatra (Far Eastern Economic Review, 13 December 1990). His special relationship with TOT bureaucrats

could be seen clearly when former TOT Managing Director Paibul Limpaphayom joined Shinnawatra after the collapse of his official career, following allegations by the Anand government that he had been corrupt (Banthit, Vimonrat and Somsri, 1994:8).

In a similar manner, UCOM made use of its bureaucratic connections long established with the CAT and MOTC to assist its business expansion after the privatization started. These connections enabled UCOM to attract many senior bureaucrats whose experience and contacts were highly valued to work with the group (Sriphumi, 10 July 2000 and Telecom Journal 1:23, 1-15 August 1993).

Jasmine also confirmed the importance of bureaucratic connections in the expansion of the group. Besides being a close friend of former TOT Managing Director Paibul Limpaphayom (Transport and Communications, 3:33, June 1992), Adisai Photaramik, the President of Jasmine once stated: 'I do not deny that I have good relations with the TOT because I used to work there. Good personal relations are important for business success. My advantage also stems from the technical understanding I have about telecommunications. The most important thing is that I know what the chance of success is and which path I should take' (Prachachart thurakit, 13 July 1992).

State-business relations in telecommunications were given a boost when a peak business association was established during the Chuan I government. Because Minister Vinai barred direct business contact with him in order to avoid the rise of political scandals, and since there was no formal mechanism for state-business communications, the Telecommunications Association of Thailand (TCT) was then established with blessings from business as the main organization lobbying for telecommunications liberalization. TCT attracted strong participation from business people, university academics, and retired technocrats in launching media campaigns and discussions to mobilize public support for liberalization of the industry (Koson, July 7, 2000). Built on the reputation of leading personalities in the telecommunications industry, TCT also organized national conferences and proposed its own draft telecommunications bills to the government (Bangkok Post 7 August 1993).

Prasit Kanchanavat once said, '[Thai political system] allows business to influence government easily. Business can support politicians financially during election or they can set up their own political parties. ... The Thai cabinet is full of businessmen, politicians, lawyers and high ranked military officers. These groups also presented in the Senate' (Cited in Preecha and Suree, 1999: 71).

Preecha and Suree (1999: 72) also reported that businessmen who support politicians financially often receive benefits. For example, CP asked for Dr Arch to be Minister of Agriculture during Anand government and asked for Sombat Uthaisang to be Deputy Minister of Transport and Communications. Similarly, UCOM sent Poosana Preemanoth in Deputy Permanent Secretary in

Gen. Chavalid cabinet. Moreover, Princess Airline was only operator granted concessions from Gen. Chavalid. Princess Airline's business partners include UCOM and Jasmine (ibid:73).

4. Cases Studies

4.1 Data communication projects

The various data communication projects undertaken in Thailand provide good examples of the working relationships established among business, politicians and technocrats under the Chatichai government (Sakkarin, 1998). The origin of the first data communications project demonstrated how local business influenced the decisions of technocrats and politicians in telecommunications. As many state telecommunications agencies tried to introduce similar services, owing to overlapping technologies in data communications, the technocrats stepped in to put pressure on these agencies to adhere to the policy of privatization and increasing liberalization.

In the late 1980s, a proposal to provide a data communication service was tabled with a senior MOTC technocrat by the Samart Group, the major local telecommunications firm specializing in satellite technology and data processing. Because of the TOT's and CAT's lack of interest, however, the senior technocrats thus built the bridge linking Samart with the Minister and relevant state agencies, resulting in the first licence being given to Samart by the PTD without public tenders (Far Eastern Economic Review, 7 April 1993). Because of bright prospects in data communications shown by strong business interests, the technocrat soon came up with an idea of issuing additional licences (Far Eastern Economic Review, 7 April 1993).

Political manipulation in the data communications business demonstrates the connection between bureaucrats, business, lobbyists and political parties in Thailand. The increasing influence of political parties since the 1980s resulted in some politicians acting as political brokers in selling to firms the government licenses due to be allocated by cabinet members (Ockey, 1992). Under the Chatichai government, a political aide of a senior cabinet member was then known as one of the most skillful brokers who arranged for deals between his party members and businesses (Sungsidh, 1993a). In a deal between two politicians and the senior technocrat who initiated the second licence, the second licence brokered by the aide to the cabinet member was to be granted in exchange for a financial reward. As part of the deal, an Australian company was urged by one of the two politicians to 'do the right thing' by paying US\$1 million, given that there would be no further licences in the same service (Sakkarin, 2000). However, the company declined, resulting in the broker turning to a large Sino-Thai family, which owned an extensive financial business and offered a succeeding similar deal (ibid.)

The success of the deal resulted in a tug-of-war between the TOT, CAT and NESDB. The TOT and CAT were fighting to move into the data communications business, while the NESDB was pressing for both the privatization and liberalization of TOT and CAT projects. Prompted by the PTD's licensing of data communication services, the CAT reacted by introducing a similar project in order to preserve its status as the foremost telecommunications operating agency. While the PTD concessions were limited to data and image communications, the CAT initiated comprehensive services combining such communications with voice, making its project more expansive than the others (MOTC letter to the NESDB, dated 13 July 1990).

Overlapping technologies and business competition among state agencies in data communications contributed to the increasing competition for the services. The TOT and CAT awarded a number of concessions during 1990 and 1992. The duplication of services permitted to many private operators under the protection of the three state agencies induced prolonged debates over the discrepancies between the terms of contracts, concession periods and revenue-sharing schemes of all these concessions (TMP, 1997). For example, the PTD contracts barred Samart Telecom and Compunet from providing voice services while CAT's and TOT's concessions were allowed to operate international and domestic voice services (PTD, CAT and TOT Contracts with various private firms, 1991-1993, also see table 6.1).

Table 6.1 Data Communication Concessions

System	Operator	Regulator	Concession Time (begin)	Signals
Samart Link&Net	Samart Telecom	PTD	15 years (1990)	Data
SatLink&Datacast	Compunet	PTD	15 years (1990)	Data
VSAT	Thai Skycom	CAT	15 years (1992)	Voice, Image, Data
Datanet	Shin. Datacom	TOT	10 years (1990)	Voice, Image, Data
ISBN	Acumen	TOT	15 years (1991)	Voice, Image, Data
Optic fiber	Comlink	TOT	20 years (1992)	Voice, Image, Data

Source: TOT, CAT and PTD

The competition among these private operators produced conflicts widely, not only among the private operators themselves, but also between the private operators and the state agencies. For instance, Compunet claimed that the agreement with the MOTC for holding its duopoly status with Samart was breached, and that other operators had more favourable contracts because of their better connections with the TOT and CAT (Thansethakit, 30 July 1992). Because of their disadvantages, Compunet and Samart finally lobbied for a transfer of their contracts under the PTD to CAT or TOT in order to have a level playing field (Telecom Journal 2:34, 16-31 January 1994).

4.2 The three-million-line telephone project

The expansion of a three-million-line telephone system was the largest public project in Thailand, costing US\$4 billion (Banthit, Vimonrat and Somsri, 1994). It demonstrated political manipulation by politicians, local and foreign businesses. The project was controversial and led to a political crisis that brought down the Chaichai government (Sakkarin, 2000). The project was extended over the period of 1989-92, reflecting changes in the political regime and struggles among major participants. The project revealed the role of the Chatichai politician in attempting to privatize basic-telecommunications services. It also revealed the influence of business in changing the decision of the whole cabinet. Moreover, it demonstrated that the change in political regime was linked to the position of participants in telecommunications.

The telephone project originated from interplay among politicians, MOTC technocrats and foreign telecommunications businesses in pushing forward the privatization of basic telecommunications services. The idea of privatizing fixed-line telephone was first introduced by Minister Samak during the mid-1980s but it was ruled out for fear of legal violations and incessant labour protests (Banthit, Vimonrat and Somsri, 1994). However, a severe shortage of telephones in 1988-89 resulting from the economic boom put pressure on the MOTC to find a way to relieve the problem (TMP, 1997).

Initially the MOTC Minister Montri had an idea to add five million more telephone lines by the end of the Seventh Development Plan in 1996. However, the number of telephone lines was reduced to three million for two reasons. First, it exceeded the capacity of the TOT to carry out the large-scale project. The TOT at this time faced financial limitation under the government's strict adherence to a foreign debt ceiling (Poomchai, 27 June 2000). Second, TOT forecasted the demand for telephones was lower than five million lines. Before the TOT implemented the plan, British Telecom approached Montri with a proposal to install one million telephone lines on a Build-Operate-Transfer (BOT) basis (Sakkarin, 2000). Following that proposal, Mitsui, Toyomenka, Alcatel and Ericsson all

expressed their intention of engaging in similar projects (ibid.) This led Montri to issue an open invitation to attract all prospective investors to secure the best terms of contract for the government.

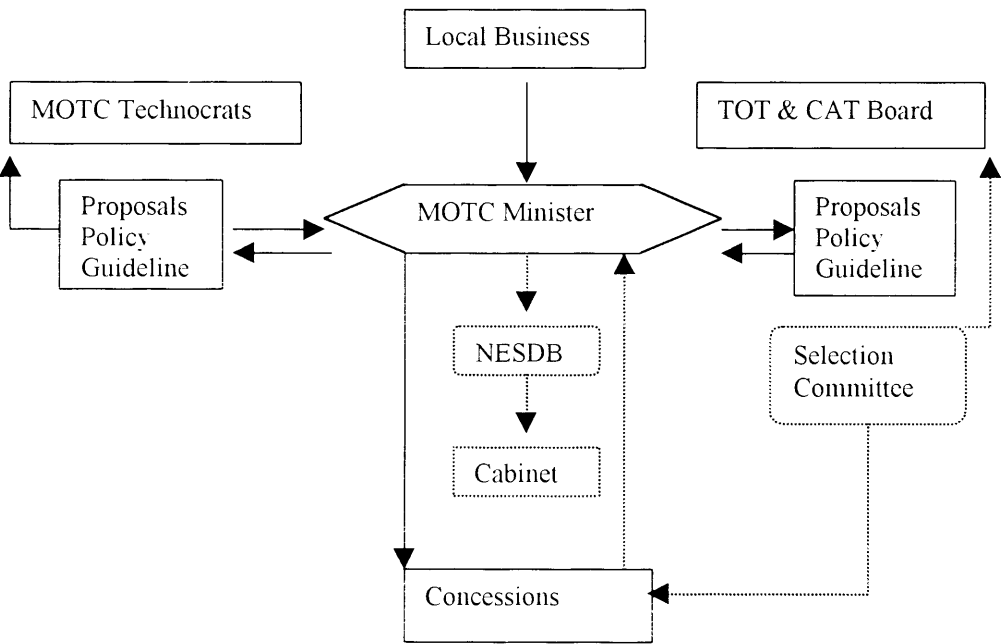
Montri appointed MOTC Secretary Sripnumi to head a committee to draft the terms of reference for the project and to select the winner. The appointment of MOTC-based committee to take charge of the bidding was very unusual. Under government regulations, the TOT board is responsible for setting up committee to draft the terms of reference, carry out the bid, open envelopes containing financial and technical proposals, and pick the bidder (Pansak and Noppanat, July 7, 2000). Thus the move of Montri was seen as interference in state enterprises affairs. The move of Montri could be interpreted as an intention to reduce the military influence from the military-controlled TOT as well as to reduce the TOT union power. The success of Montri in excluding the military in the TOT affair was evident by the resignation of then TOT chairman Gen. Jaruy Wongsayan (Prachachart thurakit, 22 March 1990).

The influence of Montri in decision-making became more apparent when the telephone project started in a top-down manner, Minister to TOT (Banthit, Vimonrat and Somsri, 1994). This procedure was contrary to the normal bureaucratic procedure where the TOT would begin the project. According to the standard procedure for large-scale investments, the TOT board would give approval to the committee's selection of the bid winner and then pass on its judgement to the Minister for his approval before seeking the cabinet's final green light. But if they were BTO projects, the Minister's approval was considered final (Sudharma, June 30, 2000). Figure 6.1 illustrated the comparison of the decision-making processes under Chatichai and normal procedure. Apart from the MOTC and state agencies, the decision-making process of the telecommunication industry usually involved the NESDB and the Budget Bureau as all government projects required approval from them (Poomchai, June 27, 2000). However, during the Chatichai government, Minister Montri avoided sending any of the BTO plans to the two organizations by using the argument that they were to be invested by private capital, not government funding (Sakkarin, 2000). By centralizing the decision-making process, Montri was able to initiate a project, control the bidding process, select the winner and award a contract.

When the TOT and CAT planned a BTO project, their boards would then need a green light from Montri to appoint a committee to draft the terms of references for project specifications. After bids were called to implement the plans and the selection committee had made its choice, the final approval from Montri was again required before a concession could be awarded to a private business (Siamrad sapdah vijarn, 14-20 October, 1990:18). In general the law requires evaluation of projects costing more than one billion baht by the NESDB, and those with existing assets of more than one billion baht by the Ministry of Finance, before submitted to the cabinet for final approval. For those

projects costing more than five billion baht, they would need a third party consultant and appraiser approved by the Ministry (Poomchai, 27 June 2000).

Figure 6.1 Decision-making process under the Chatichai Government



Note: refers to normal procedure where the Chatichai government by pass

This diagram sets out the contract system between the Chatichai and other governments. The Chatichai government took control over telecommunications sector by bypassing the NESDB and selection committee in decision-making. The MOTC thus was left with complete power to grant concessions. The business, thus, gains direct contact with the government.

The political arrangements under which the MOTC Minister was given a free hand to carry out concessions provided ample opportunities for political interference. This ultimate control, free from any countervailing authority, led to the controversial selection of the Charoen Pokphand group (CP) on 20 September 1990 (Cabinet Resolution, 9 October 1990). The selection of CP as the winner for the telephone contract demonstrated the influence of CP business on the decision-making. The CP's proposal was not the best offer the TOT had received in terms of revenue sharing, the concession period and the investment cost (Prime Minister Office, May 1991). CP proposed that the TOT receive 6 per cent of its revenue sharing compared to 56 per cent by Alcatel, thus making Alcatel the best offer in the one-million-line project. Alcatel also offered the most in the two-million-line project with 51 per cent of its revenue sharing, while CP again was the lowest offer at 6 per cent. Moreover, CP asked for the longest concession period of 28 years in both projects, while Alcatel proposed of 15 years. In terms of the project's cost-effectiveness, Ericsson's proposal required the lowest amount of investment capital for the one-million-line project, while Mitsui's cost was the lowest in the two-million-line project. CP's offer was the worst in both project and should be at the bottom of the list overall (Prime Minister Office, May 1991).

The committee explained that the decision was made according to the 'Terms of Reference'. Most of the bidders were disqualified for a number of reasons. For example, Alcatel was disqualified because of lack of commitment to technical maintenance, and its intention to apply for tax privileges. Ericsson was also disqualified because it intended to apply for tax privileges and would not provide any revenue to the TOT during the first five years of operation. Mitsui would only invest in the one-million-line project in Bangkok, while the two million more lines were to be added when real demand materialized during the 1992-96. This left CP only one to qualify (Prime Minister's Office, 1992). However, the selection process was limited because the committee did not allow the candidates to clarify their points (*ibid.*).

The cabinet's approval of the controversial project stirred up public criticism and allegations of political corruption involving all the parties concerned. Arthit Uairat, the United Party spokesman, alleged that a 13 per cent commission had been paid to cabinet members for their approval (Siam Rath *sapdah wijarn* 37:18, 14-20 October 1990). Academic sources also claimed that a commission was handed to some cabinet ministers on the approval and signature the contract (Duenden June 21, 2000 and Sudharma, June 30, 2000). There was also a concern how close CP bid to Toyomenka. CP was reported to beat Toyomenka in the second round of bidding for the one-million-line project, with a figure only marginally higher than Toyomenka's. Whereas Toyomenka proposed 19 and 21 per cent revenues to the TOT for the period of 20 and 25 years respectively, CP offered 19.5 and 21.5 per cent during the same period. It was reported that before the selection was made, CP's financial envelope was swapped and replaced by one containing a higher offer than the one proposed by Toyomenka (Nation, 6-10 March 1993).

How and in what ways could a business group influence the decision-making of government officials at all levels?

Wattanachai (1992) reported that the promotion of political connections has been a key strategy of CP in its business expansion, together with its innovative joint ventures with multinational companies and highly acclaimed entrepreneurial skills. The development of the CP business empire explains how these intertwined strategies have led to the success of the conglomerate while also enhancing its political standing.

CP started from a small seed and fertile trader in 1921 and vertically extended its business to include all agriculture such as animal feed trading and manufacturing. Vertical integration of its agriculture business subsidiaries and successful selection of foreign partners are renowned strategies behind CP's business expansion both in Thailand and overseas. After successfully vertical integrated agro-industry business, CP started to expand horizontally to include the petrochemical industry, telecommunications, etc. By 1993, CP's business empire encompasses more than 200 subsidiaries in eight business areas and one telephone project (Company report, 1994).

On the issue of management, CP is renowned for combining Western-style management with Asian-style family tradition (Wattanachai, 1992). While western-style recruitment of professionals of high caliber is carried out, the traditional method of inviting government officials with extensive experience and connections to become associated with the firm has been maintained. Over the years, CP has build up its connections with the military, political parties and senior bureaucrats (Wattanachai, 1992). For instance CP was a strong supporter of Gen. Chavalit Yongchaiyudh. CP also has connection with the military academy's graduating class five through marriage. Moreover, Gen. Suchida Kraprayoon served as the Honorary Chairman of the Dragon Hill and Country Club owned by the CP family, while Gen. Viroj Saengsanit and LT. Gen. Mongkol Amphornphisit were Vice Chairman of the project (Khao krong, 5 May 1991:39). CP was also believed to have relationships with SAP, Prachakorn Thai, and CTP (Wattanachai, 1992).

Although perceived as politically influential because of its sheer size of business and extensive political connections, Wattanachai (1992) argued that CP had operated such connections in a cautious manner in order to avoid the any undesirable political consequence that might arise. There was no clear evidence that CP strongly supported particular political parties. However, as CP began to expand into lucrative business areas, there were certain economic activities, which required high-level political connections and ardent lobbying to ensure business success (Sakkarin, 1998). The huge value of the project and its expected high rates of return were intended to open new horizons for CP's high-tech businesses in tandem with the economic boom across Asia (Khao krong 5:39, May 1991). CP's concept of the telecommunications business was somewhat similar to the logic of

systematic integration applied in its agro-industries. Dhanin Chiarawanon, a CP executive, once stated that:

Since I have been in business, I've found that no business is better than telephones because the investments get cheaper all the time as a result of more advanced technology... In the future we also will expand into image and data communication through telephones. Fibre optic cable can handle voice, data and image. Moreover, in the future we will not limit ourselves merely to telephone operations, but also to telephone equipment manufacturing, including both telephone sets and mobile telephones to be sold worldwide. We will apply the concept of full integration into telephone business... Soon our telephone business will be as successful as the poultry business or better, as this business is the best as far as I have studies (Khao krong 5:39, May 1991).

CP could not keep its low-profile strategy to gain telecommunications contract. This is because the industry was competitive. CP had to use all its political resources in combination with its traditional political connections and modern-style business management to get the telephone project going. Its political strategy was to lobby all the parties concerned from low-level committees up to top-level politicians. It was the involvement of many levels of government officials and politicians in the project that attracted public attention to CP's close relationship with the state apparatus. The controversial telephone project led the military coup in February 1991 to use this controversial telecommunications project and contract decision as a basis for claiming the need to curb corruption by the Chatichai cabinet on public projects (Matichon sud sapdah, 2 April 1993).

However, the NPKC success in overthrowing the Chatichai government did not translate into scraping of CP's contract. On the contrary, CP's close relation with the military led to an alliance of CP and the NPKC. The Anand government had to withstand the pressure from the CP-NPKC bloc when the telephone project was investigated. Nukul Prachuabmoh, former Governor of the Bank of Thailand was appointed to investigate the project (Banthit, Vimonrat and Somsri, 1994). Nukul tried to build his alliance by bringing in many reform-minded technocrats into the TOT board. At the same time Nukul appointed M.R.Jatamongkol Sonakul from the Ministry of Finance to head the review committee, while refused to appoint the NPKC nominee Gen. Chatchom Kanlong (ibid.). Anand also set up another committee headed by Deputy Prime Minister Snoh Unakul to make an evaluation of the old draft contract and give recommendation. Simultaneously the World Bank was asked by Anand to make an urgent study of the project in parallel with the third study led by Pisit (Cabinet Resolution, June 1991).

Anand used the reports completed by Pisit and Deputy Prime Minister Snoh as well as the World Bank as bargaining chips in negotiations with CP and the military. All reports strongly opposed the old draft contract and recommended its substantial revision. The major point Snoh made was the concern over CP's legal qualifications, the TOT's long-term disadvantages and CP's future monopoly of telecommunications infrastructure (Appendix D). Sharing this view, Pisit Leeatam added, 'The telephone case reflects the absence of the technocrats' involvement. It was a joint effort made by politicians and a private operator. This was a failure to protect state and public interests' (Phuchadkarn (monthly), June 1991, p.30). The World Bank's (1991:6) report also attacked many weaknesses of the project and the old draft contract ranging from the feasibility of the project to the potential private monopoly. It said 'Because the BTO scheme is proposed for a 25-year period, TOT would lose much of the control of the new assets for the same period. Therefore, this BTO scheme is in many ways a de facto privatization that will leave TOT with control over a minority of the assets and, probably, the least qualified staff' (Appendix E).

The similar results of the three reports led Anand to attract better deals from CP. The project was also divided into two-million-line and one-million-line, in which CP was granted the two-million-line and Loxley for the one-million-line (Banthit, Vimonrat and Somsri, 1994:30). Symbolically, the World Bank's report helped create a neutral image for the Anand government, as opposed to the military's open support for CP. The revision of the telephone project thus led to the negotiation between Anand and CP and left CP with the two-million-line telephone contract under the terms laid down by the committee Anand appointed (Cabinet Resolution, 18 June 1991).

4.3 Conversion of the Existing Concession

This case provides a good example of the conflict of ideas between the state and business group.

Setting the scene

The Telecommunications Master Plan 1997 (TMP) also set guidelines for concession conversion as follows:

1. Each concession should be treated on the same basis as much as possible. If applicable, conditioned or variables employed in the calculation of compensation must be set on the same standard, e.g., discount rate, timeframe, etc.
2. Assets transferred to TOT and CAT under the BTO scheme will not be sold back to concessionaires.

3. Compensation to government entities are to be made on the fair and mutual benefit principles and agreeable among parties, subject to the conditions that private operators must be able to continue the businesses without significant damage nor being treated unfairly.
4. Revenue sharing will be waived after the effective date of conversion. After liberalization, operators including privatized TOT and CAT will pay license fee and other related fees to NCC.
5. Compensation from concession conversion will be used to reduce service fees, to set up funds for development of human resources in telecom and information technology systems field, to set up telecom research and development funds, to establish unemployment funds, or can be in the form of concessionaires' equity held by concessions' grantor.

Note: Licensing fee refers fee paid for installation, subscription, or usage. It is calculated on cost-based basis. The fee annual adjustment will be fair and transparent based on known formula such as price cap. This is different from concession where private operator has to bid for concession. There is no guideline, thus each granter can set up their own bidding procedure and terms of references. Thus, concession is granted not on the same basis and conditions.

In compliance with the guidelines given in the TMP, concession conversions have to be completed before the privatization of TOT and CAT and liberalization of the telecommunications industry. At present, there are 32 concessions. While this study's scope of analysis is limited to concession conversion, it must be noted that this is only one part of an integrated puzzle that Thailand and the industry are undergoing to completely achieve the TMP's objectives.

In the beginning of 1998, the MOTC hired Thana Siam group to conduct a detailed study on concession conversion. Thana Siam proposed three possible alternatives in which the government could deal with concession conversion as a proportionate reduction of revenue sharing. However, in April 1999 MOF asked TRDI (Thailand Research Development Institute) to study the concession conversion plan proposed by MOTC, and in June 1999 MOF came up with a new concession conversion proposal conducted by TDRI. Both the MOTC and private firms objected to the TDRI version (see Appendix), however, the cabinet approved it later in the year.

This guideline was totally rejected by private operators who argued they were willing to pay compensation until 2006, the year when the market is to be fully deregulated for all players, local and foreign.

The committee chaired by Aran Thammano said the most difficult part of the conversion process was the compensation, which each private operator needed to pay to its respective concession grantor if their revenue-sharing concessions were to revert to licences. Compensation varied with the number of years left in the concession, reductions in revenue sharing, valuation of assets, and the financial position of each concession-holder, among other issues. Most telecommunications companies disagreed with the proposal. Sripoom of UCOM said,

TDRI offers the private enterprises to pay a large sum of money to terminate the concession. I think this is very unfair for us (July 10, 2000).

The disagreement on the conversion proposal was also stemmed from business's view on government legitimacy. Business considered that the government should let NTC to deal with telecommunications reform. Vollobh (July 17, 2000) argued,

The TMP suggested the government to set up the NTC to oversee telecommunications sector. Since the government approved the TMP, they should follow the recommendation. That is it should be this new regulatory agency to be responsible for the concession conversion. The government may not work on the same rule as the NTC. So we are very concerned that we might have to renegotiate if the NTC is established.

Since private firms opposed the TDRI's proposal, none were prepared to convert its concession. The government therefore declared a deadline to sign up for voluntary conversion in January 2000. In May 2000, 24 private firms submitted letters of intent to the 11-member concession conversion supervisory subcommittee. Nine firms refused to convert.

Vollobh (July 17, 2000) gave an opinion on this matter that,

I think the government is illegitimate. The conversion is an agreement between two participants- the state agencies and private enterprises. Although the government can rule TOT and CAT, it does not imply that they have power over private enterprises to force us to change the existing contract.

This view is also reflected from Sudharm (June 28, 2000). He said,

The present government is not legitimate. Why? They already approved the Telecommunications Act, which means privatization and concession conversion should be done by the NTC. However, the government is pursuing to complete,

especially on concession. This can cause a problem if the NTC do not convert the concession on the same assumption as this government.

However, the TOT has a different opinion. Pansak and Noppanat (July 7, 2000) argued,

The government tries very hard to liberalize the industry. However, as we stated before that we lacked law and regulation... The government is still an infant in this area so we have to give them some time. We view that we are at a turning point, a very important one that will transform industry completely. It is common to hear different voices.

Business sector also has different ideas from the government on the way to calculate compensation payments after the concessions were converted into licences. Compensation calculations became a major sticking point when the TDRI recommended the inclusion of any value-added services created in the future.

TT&T proposed to pay nine billion baht compensation to convert its 30-year concession, while TelecomAsia was reluctant to pay compensation. Instead it asked for compensation from the TOT, arguing that their new investment, Y-Tel 1234 should not be included in the old contract and proposed to buy back its business for only 14 billion baht.

TDRI saw it differently, arguing that some industries such as fixed-line and cellular operators have introduced several value-added services that could be expected to generate steady revenue streams in the future. Thus the state should be entitled to its share of these new revenues as well. TA, for example, added the low-cost long-distance phone service called Y-Tel 1234. The TOT has said, however, that Y-Tel is a new service - and thus prohibited under the concession - and not value-added as TA claims.

Asset ownership transfers are another crucial issue for the telecommunications companies, as Vollobh (July 18, 2000) said.

My concern is that under the BTO scheme, private enterprises have to transfer all technological investment to government. If the conversion states that we have to pay a large sum of money to government because the government will loss revenue sharing. Will those properties be returned to us? If we have to buy them back, as well as pay the government compensation, is that fair? Moreover, if we invest in new technology as a part of maintenance, do those new technologies belong to us?

Meanwhile, there were also fears that politics might again influence in the concession process and thus liberalization would become a tool for the government to transfer their power to the NTC. Duenden argued,

The process toward liberalization... is not transparent. There were at least three draft of the Act, but no one knew which draft was given to the cabinet and why. Although the Telecommunications Act 2543 (2000) is already valid, the Act does not give a clear guideline to who is the regulator and what role they will have. The NTC, therefore, have an absolute power (June 21, 2000).

Vollbh (July 18, 2000) agrees,

The Telecommunications Act 2543 gives power to the new regulatory body, the NTC. However there are a number of sections that imply power is transferred from the state to the NTC. In the old system where the government had power over the telecommunications sector, there was a checking balance such as the Senate and the Court. Under the new Constitution and the new Telecommunications Act, the NTC will have full power without checking balance system. The NTC's decision is ultimate. This is different from the FCC or OFTEL in that the ruling of Federal of Communication Committee (US) and Office of Telecommunications (UK) is not final. The state or the public can challenge their ruling. Our ideology on regulation is a pendulum. We used to be very left and now we are going to swing to the very right.

Fears of political intervention among private companies are not without reason. Political parties and military, for example, could insert their influences over telecommunications politics as described in the data communications project and the three-million-line project. A recent example of political intervention in the process of concession conversion was when the process has come to a complete halt because the new government (Thaksin 2001) stated their intention to rewrite the current conversion scheme. Dr Somkiat (June 21, 2000) said,

The emergence of Thaksin Shinawatra's Thai Rak Thai Party (TRT), which has many party members, including Thaksin, with interests or even ownership in telecom companies, and the likelihood of a TRT victory over the Democrats, was the major reason for the failure of concession conversion during the Chuan government. The concessionaires believed that the new government could provide them with a better deal and more benefits. So, they saw no value in accelerating the conversion process.

The Thaksin's intervention in the process was blamed for the failure of the conversion process. When the TRT formed the cabinet, they hired the Intellectual Property Institute of Chulalongkorn

University (IPI) to study how to convert telecom concessions and review the obstacles during the previous administration. The IPI concluded that not ending the profit-sharing system was the major reason for the failure of the TDRI's scheme.

The IPI recommended that the profit-sharing system should be terminated by 2006. All telecommunications companies supported this view. They all agreed that in order to create fair competition between the existing telecommunications operators and the incoming operators, the profit-sharing system should be replaced by a system in which operators must pay a licensing fee to the NTC. The IPI's report said that

In the past, the telecommunications concessionaires have lost their opportunities to expand and develop their businesses, and they have had to rely solely on income from their concessions. The justification given for termination the profit-sharing system is to allow existing companies to adjust to the new circumstances brought on by the telecommunications liberalization (IPI Report).

However, TRDI argued that the IPI proposal could lead to a loss of state revenues of up to 290 billion baht. For example, AIS, a mobile telephone operation owned by the Shin Group, could save about 106.6 billion baht if it stopped paying the state after 2006. The three other independent telecommunications giants, TA, TT&T and DTAC, would save 26.1, 19.6 and 137.5 billion baht, respectively (See Table 6.2)

Somkiet (January 10, 2002) asserted that,

Under the NTC, licensing fees would be much lower than the concession fees because the Article 11 of the Telecommunications Act states that the 'license charge should not become a burden'. In Singapore, the license fee for a fixed line is only 1 per cent of revenues, while in Thailand today TT&T pays 44 per cent, and TA pays 16 per cent for their concession fee. Meanwhile, the license fees for a company with satellite operations in Hong Kong is only about 800,000 baht a year, but Shin Satellite has paid 200 or 300 million baht during the past several years. So it is very unlikely that the license fees would replace the profit-sharing fee.

Table 6.2 Compensations

Companies	Pay until the end of concession	Pay until 2006	Concessionaire gains
TelecomAsia	39,264	13,170	26,157
TT&T	32,613	12,948	19,665
AIS	161,967	55,304	106,663
DTAC	176,704	39,105	137,559
Total	410,547	120,463	290,084

Unit: million bath

Note: The period of each concession varied between ten to thirty years (Appendix G), with the first on in 1988. Therefore, most firms will have to pay several years after 2006. If they could stop paying after 2006, they would save a lot of investment. For example, DTAC would pay SOE only 39,105 million baht by the end of 2006 compared with 410,547 million baths to the end of its concession period. Thus, DTAC would save or state would loss revenue-sharing up to 137,559 million baht from DTAC contract alone.

Source: Thailand Development Research Institute (TDRI, 2002)

The IPI argued that the state could make additional profits through selling or lending telecommunications networks or cell stations, which were built by the private sector through the BTO scheme. TDRI, however, disagrees. Somkiet said,

The IPI speaks of faire value, but what is fair value? For example, if you assess by calculating value based on the current condition of the property, AIS's networks have been built for nearly a decade, so that the prices must be lower. Hence, the state could not gain so much from these sales (January 10, 2002).

However, telecommunications companies disagree with TDRI. They support the IPI proposal saying that they would be at a disadvantage if they must continue paying for their concessions after 2006 because their operating costs would be higher than the newcomer telecommunications operators who need only pay for license fees, particularly if the license fees are much lower than concession compensation. Vallobh (July 18, 2000) commented,

Why is there a disagreement on conversion? The conversion means one participant will lose its profit. The compensation is based on an assumption that can be true or false. For example, the economic may slow down for the telecommunications industry during the next five years. How could we possibly predict that? The Telecommunications Act states 'level playing field'. We question 'to whom'. Is it to the government agencies or to all players? The TDRI proposal recommended that we should pay concessions to TOT and CAT although they are to be privatized and to become our competitors. It is not fair for us to have to share profit with our competitors.

There seems to be justification in these arguments. For example, AIS might pay 25 per cent of its profit to the state, while the new operator might pay less than 10 per cent. This situation does appear to put the existing concessionaires into disadvantage position. Therefore the liberalization does not operate on the fair competition doctrine. However, TDRI pointed out that there are many factors favoring the existing operators. Some of the factors are noted in an AIS Annual Report (2000), in which it is stated that although there will be new competitors in the market, AIS will be able to compete in the market for several reasons. For instance, AIS has already built its cell stations all around the country. It might take years for newcomers to do so. In terms of brandname, AIS has spent years to achieve its popularity, but the new operators will be unknown.

Other companies have similar views. Vollobh (July 18, 2000) said that private enterprises would have an advantage over the state agencies and newcomers in terms of technology and capital investment. While Vivatvong of Loxley (July 4, 2000) said, 'We re-engineered our company to deal with this situation. We have shareholders and joint ventures with a number of international companies'.

5 Conclusion

In this chapter, the study examines business influences and their channel in the political action through three cases - the data communications project, three-million-line telephone project and concession conversion. The study demonstrates the conflicts and cooperation between business and the state during the implementation of the telecommunications reform. These three cases illustrate the patterns of business influence in the telecommunications politics. By looking at these cases, I found that although business influence is increasing, they could not always force the state to yield to their demands. The case suggests a high degree of state autonomy from business pressure.

CHAPTER SEVEN

Conclusion

1 Introduction

In this study, I have sought to examine Thai state-business relations in the telecommunications sector as they have developed since the introduction of private participation during the Prem Regime (NESDP 5). I have looked at the changing state-society relationship in Thailand during the 1980s and 1990s by focusing on the politics of the telecommunications industry. Data collected from primary and secondary documentation and in-depth interviews revealed the dual character of telecommunications politics. On the one hand, its dual political character embraces both the old politics dominated by the military and other bureaucratic interests, and the new politics reflecting the rise of private capital and the changing relationships between business and the state. On the other hand, its spatial duality has been characterized by the global and local relationships related to internationalization state, capital and production accumulation. Table 7.1 summarizes the external and internal influences on Thai telecommunications development.

The increasing importance of the telecommunications infrastructure in the national economy, along with its links to the regional and global economies in relation to technology development, regulatory reforms, and emerging ideas of liberalization and regional leadership, have made this sector fundamental to Thailand's recent economic growth as well as to its future success. The evidence provided in this study supports the view that the development of Thai telecommunication liberalization should be considered as more complex than simply a case of being a transmission belt transferring the liberalization model from developed economies to developing ones.

The overall conclusion of this study has been that politics matters in the development of telecommunications policies and that the Thai state remains importance in its role. Politics of telecommunications matters in two main stands. First, it shapes the development of telecommunications policies at national and international levels. 'Political duality', within which institutions from the public and private sectors interact in a structure of dependent or relative relationships, and spatial duality, within which domestic and international institutions interact in a structure of interdependent relationships, have their own rules and characteristics that give a dynamic to telecommunications policy development. Secondly, political requirements imply legitimating influence the nature of policy reform.

These relations combine to endow detailed variations in telecommunications policy with significance. Accordingly, the thesis has been concerned with such issues as the degree of autonomy and capacity for aggrandizement of state; the relationship of strategy and structure as governmental ideologies interact with institutions, both public and private in telecommunications policies development nationally and internationally; and the problems of legitimation and their implementations for policy development. In particular, institutional ideology/interest remains a powerful factor. Thus the enthusiasm of state for the development of privatization and liberalization policies is best understood against the background of their interest in controlling both the impact of the entry of private companies into the telecommunications sector and the impact of international organization such as GATS in Thailand.

Telecommunications has been elevated to a high politics of spatial duality within which the state and international organizations interact. Political duality thus has been altered as a territorial shift occurs in the arenas in which telecommunications policies are made and the constraints of external pressures on these relations are felt. New entrants and old partners such as the telecommunications state agencies and concessionaires are freed from old dependencies destabilize once-stable relationships. The mutual benefits of once exclusive and privileged relations are no longer clear. Yet factors of institutional structure and the inherited characteristics of relations have not fundamentally changed. The national dimension of telecommunications policies has not become an epiphenomenon of the international context. Dominant patterns of relations within domestic relations seem to be resilient to fundamentally change.

A persuasive account of the development of telecommunications policies must emphasize that the telecommunications development has involved a redistribution of power within state/society complex as the resources available to actors have changed. Correspondingly, power and conflict within relation, and the constraints that they impose, have been center to the development of telecommunications policies. The specific combinations of political and economic interest and the contrasts of institution structure and ideology (framework for action) have militated against simple policy co-ordination.

This thesis, thus, has examined the nature of change in state's role in the telecommunications sector from two perspectives: of Cox's framework for action and the hegemonic project as they have had to deal with an increasingly important international dimensions of market and ideology; and of institutions as their role has been reassessed and redefined.

Through Cox's Framework for Action based on Gramscian notion of hegemony, this project focuses on the substantial changes that have taken place in telecommunications politics. This is because the framework acknowledges the role of both state and non-state in bringing about

changes. Moreover, it also paid attention to the link between the global and the domestic through the interaction of institutions, materiality and ideas.

Cox's Framework for Action and Gramscian notion of hegemony used the extended-state to explore the extent to which societal forces might be said to have transcended or undermined the primacy of national interests. Because of the pressing need that state has to negotiate about telecommunications in the interests of international trade and national development, it would lead one to expect that co-operation among forces could lead the telecommunications politics to the high level. The focus on changing role of the state stresses those international organizations such as GATS and local business forces will necessarily grow in relative importance vis-à-vis state as the latter is confronted with the need to adapt to an increasingly complex and interdependent world.

Chapter four, five and six in this thesis seem to support this argument. The growing of 'internationalization' of state and of telecommunications led to a considerable development of Thai state-societal forces basic co-operation of standardization and liberalization ideology. In the increasingly interdependent world economy associated with the telecommunications revolution the potential role of GATS is increased.

Chapter four demonstrated that the Thai state has to conform to certain GATS rules such as non-discrimination, domestic regulatory reform and progressive liberalization. Similarly, chapter five and six demonstrated the increasingly role of business sector. Whether the business is for or against telecommunications reform, it does not perceive the state as an absolute autonomous actor.

Nevertheless, all cases support Cox's notion that the state under the condition of globalization is changing its role. The finding of this thesis demonstrated the relative importance of the state and societal forces at domestic and international levels in the development of the Thai telecommunications policy. In chapter four and five, state sought to play a central interventionist role in creating and managing telecommunications markets so that national producers could be protected from their foreign counterparts and that the SOE producers could maintain a control over their private participators.

Through Cox's Framework for Action based on Gramscian notion of hegemony, four results are concluded from this study.

A. The globalization process influences a telecommunications liberalization agenda.

However, local ideas, institutions and materials can influence telecommunications policy.

- B. Local capital and local companies are being nurtured and encouraged by the government to meet the challenge of the overseas companies at the regional as well as the national level. This opens the door to many forms of competition and cooperation, from joint venture partnerships to licensing and distribution agreements, to strategic alliances. Hence, the role of the state is not in decline; rather state intervention is growing.
- C. Although state intervention in telecommunications politics exists, the state is no longer the main player, but one of the growing number, in telecommunications development. What we see is an expanded political space developing over a number of years with actors changing roles across state-market.
- D. Telecommunications politics is a combination of conflicts and co-operation among different interests.

2 Reflections on Conclusion

The following part discusses these conclusions according to spatial and political duality.

A. Spatial Duality

The globalization process influences the telecommunications liberalization agenda. However, local ideas, institutions and materials can influence telecommunications policy.

The findings in chapter four demonstrate that the globalization process can influence liberalization of the telecommunications industry in Thailand. Although domestic factors such as the state and societal interests play important roles in the policymaking, multilateral structure and the process of economic globalization and liberalization also influences national economic and liberalization agendas. The deregulation and liberalization of telecommunications business in the major countries has triggered subsequent liberalization elsewhere as witnessed in the WTO (GATS) Agreements. Many other international agendas, for example transparency, have played an increasing role in shaping policies and discussions in Thailand. Moreover, such agendas can involve many actors, interests including state, businesses, international organizations, whose policies and positions are diverse.

Analyzing the GATS and its effect on Thai telecommunications regulation in chapter four provides a basis for understanding the interaction of the national and international markets. One of the key questions raised in chapter four was the issue of what kind of role the state should play in ensuring the development of telecommunication liberalization as well as in protecting local industry.

Countries signed up to the GATS Agreement because they expected significant gains. These include increased efficiency, availability of a wider range of services and improved quality, greater opportunities for telecommunication development, and lower costs for the consumer (TMP, 1997). All this translates into benefits for the economy as a whole.

GATS brought about a shift in the nature of industry concentration, from that involved in horizontal mergers to those involving increased vertical integration. This is the result of operators seeking out alliances, which would enable them to acquire the broad set of skills needed to address new markets. Vertical integration may allow a dominant operator to reinforce its dominant position, which will lead to a re-monopolized market.

It is likely that a commitment to liberalization in the context of the WTO will have an impact at least on the national revenue system and regulatory reform. In the case of Thailand, the requirement for concession conversion so that all interests could operate on the same fees and licensing structure is the case. Some critics have argued that implementing the international regime could mean an infringement of national sovereignty, and reduce state power. This is because under the terms of the GATS, participating governments will have to give up future arbitrary and discretionary decisions over areas committed to the negotiations.

According to this case study, the impact of the GATS could prove to be modest. This is because many exemptions in the form of sectoral reservations, limits to foreign investment and phase-in commitments over various periods of time are likely to undermine market access and national treatment commitments that are at heart of GATS. Chapter four showed that Thailand has to establish effective competition in its telecommunications markets to be in line with the GATS agreement. However, the agreement left the Thai government with the choice of how to comply with the agreement. Thus the impact of the WTO agreement in opening up national markets would depend on the regulatory framework shaped by Thailand.

This counters any argument that the role of the state is in decline. Governments retain full sovereignty over the extent and scheduling of their commitments. The GATS structures allow for the primacy of governments' decisions on the pace of liberalization and a level of market opening. It depends on the stage of development of each country's process of telecommunication sector, its current stage of sectoral reform and the government's assessment of its national interests.

While a common link to regional and world markets drives the country to shift towards a liberalization of the telecommunications sector and a rapid expansion of networks, the policies, the pace, and direction is the outcome of local mediating factors, such as political institutions, the role of powerful (family) businesses, the role of the military, the strategic position of the economy within the region, and so on. No understanding of the dynamics of local development is possible without taking account of these factors.

In this study, for example, one reason for overseas companies to find a local partner to do business in local markets is that local capital may enjoy an access to information not immediately available to a foreign company, and access that comes from business, family or political networks. This reflects a general lack of developed information markets in the country and there may be strong local interests wanting to keep it that way. But the liberalization of telecommunications sector as well as the requirement of GATS is to make information accessible.

Chapter four complements and extends the argument of the role of the Thai state in the international context. By comparing GATS and AFAS policies towards liberalization, I showed that, whilst Thai telecommunications policies appear to be adoptive and increasingly dynamic, the Thai state faces some difficulties in dealing with the international pressures for liberalization. Muddle and procrastination result from the inability of the state to reconcile conflicting interests in the absence of adequate political authority to act. On the one hand, Thai state increasingly recognize the extent of globalization and liberalization, given the increasing acceptance that market liberalization is required. On the other hand, Thai policy bargaining and outcomes are dictated by domestic political and economic structures and interests. In other words, the degree and extent to which Thailand would develop and implement liberalization policy is accompanied by a continuing central role for the state in policy development. In fact, liberalization has been a re-rationalization of policy rather than an effective regime. Due to negotiated nature of GATS, Thai liberalization policy is, at this stage, more consistent with a neo-mercantilist than a neo-liberalization explanatory model. Policy making for telecommunications is characteristically reactive and pragmatic on the basis of complex and shifting compromises rather than to comprehensive and radical policy making.

B. Political Duality

Since Cox's framework for action and the hegemonic project have shifted from a focus on the state to the extended-state or state/society complex, state actors are no longer the only actors, and not necessarily the most important. The Thai state is clearly a very important organization in the

telecommunications development but the question is whether the state has become a force in its own right or whether it has become an arena for conflicts of interest amongst actors?

In this respect, the emphasis is on the state and its relations with business, within which policy issues and problems have been debated, formulated and applied. Such an approach has the value of being sensitive to the specifically political, economic, cultural and historical elements in telecommunications policy development as international institutions and national state/business seek to accommodate and remold the mounting technology and market pressures under which they must operate.

At the same time, additional to institution's ideology/interest, the character of state/business relations has been decisive. The degree of centralization and concentration of state action shapes strategic action. Here chapter five is instructive. Also, the opportunities and difficulties that this relation presents for corporate actors remain important. The prominence of new issues like liberalization has led the state and new groups to find it useful to modify the rules of the game and change relations, which have become obsolete or unsuitable or are thought to be counterproductive. Ideological change and the restructuring of state/business relations are major theme of this thesis. How easy is it for the Thai state to maintain its autonomy in the development of telecommunications while the liberalization policy has been replacing the monopoly model?

Underlying the continuing influence of the hegemonic project on policy development are operational requirements of effective management and administration of co-ordination and control of historical bloc building and thus of policy implementation. The hegemonic project provides a context within which policies can be renegotiated more or less informally and harmoniously. In this sense, telecommunications policies are not simply a story of new laws on liberalization and their application. They are above all a story of the re-shaping of state's role in relation to business institutions and international organization and the impact of institutions' interests and ideologies. The concept of hegemony incorporates the role of hegemonic leaderships' decisions to sacrifice their short term aims in order to gain mass support from various subordinated interests, providing those short-term aims would not deteriorate the long-term goals. Analyses in chapter four, five and six indicate the role of state in supporting dominant local capital interests, and protecting the Thai telecommunications sector from the domination of foreign capital.

Chapter five and six examine the question of the means by which state legitimates the introduction of new telecommunications services. During the reform (1980s-1990s) it is clear that the governments have had considerable success in influencing the debate about the reform. BTO scheme, for instance, emerges as a main characteristic of Thai telecommunications policy sector. Behind the legitimizing devices such as project concessions, it is possible to discern the interplay

of special interests, as specific political and economic interests seek to take advantage of the new constellations of power that have been created by the telecommunications reform.

However, chapter six demonstrated that locally big businesses, for example in the CP case, could not force the state to yield to its demands. In the CP case the state refused to agree the amount of business telephone line and conditions that the CP sort. The case suggests a high degree of state autonomy from business pressure.

The study has stressed the institutional links between state and business interests. The role of state capital declined in importance as a result of extensive privatization under the BTO schemes from the late 1980s while the role of business capital increases. However, the Framework for Action goes beyond such institutional links. In telecommunications, the 'liberalization historic bloc' was not created by the institutionalization of business relationships with either political parties or bureaucratic agencies. Chapter six illustrated that there are many channels through which business could put forward liberalization and privatization proposals such as political parties, state enterprise boards, the Ministry of Transport and Communications, Prime minister and his advisory team, as well as state enterprise unions.

Because telecommunications firms were not organized into a powerful business association, the relationships of all interests were informal and diversified. There are always crosscutting interests and forms of organisational representation among these interests, especially business, political parties, technocrats. It is difficult to draw a clear line between them. For example, this study's finding demonstrated a large number of technocrats moving into business and the number of businessmen in cabinet increasing. It is also evident that some of these business-turned-politicians have now considered themselves as purely politicians. They have thus been able to consolidate their power and control as well as get rid of conflicts in telecommunications politics by legitimately re-defining themselves.

Cox's and Gramscian notions also acknowledge the role of ideas as one of the main influences shaping the behaviour of bureaucratic and non-bureaucratic interests. It is the liberal concept that shapes the increasing trend towards a strategic partnership associated with 'liberalization'.

Thus Cox's framework satisfactorily explains the reason why technocrats put forward regulatory reforms that would reduce their own bureaucratic power and risk conflicts with the military.

Local capital and local companies are being nurtured and encouraged by the government to meet the challenge of the overseas companies at the regional as well as the national level. This opens the door to many forms of competition and cooperation, from joint venture

partnerships to licensing and distribution agreements, to strategic alliances. Hence, the role of the state is not in decline; rather state intervention is growing.

The role of the government has a direct impact on telecommunications policy and planning in two main ways. The first is the administration's policy statement made to the national parliament. Such a statement is normally in line with the National Economic and Social Development Board (NESDB) if not identical. The NESDB will be discussed in length shortly. Second, the appointment of the Ministers to MOTC has a direct impact on communications policy and in certain circumstances, and an indirect impact on the decision making process of the sector.

Chapter five reveals the most apparent impact that MOTC has on telecommunications politics is its authority to intervene in state enterprise affairs. For example, MOTC via a Deputy Minister, upon the approval of the Minister, dissolved the previous TOT's and CAT's Board of executives and appointed a new team with a new chairman.

Another state arm that could influence telecommunications development is the NESDB. The NESDB's statement concerning communications system and policy planning is clearly stated in the Seventh and the Eighth National Economic and Social Development Plan covering 1992-1996 and 1997-2001 respectively. The main target of both plans is for the development of the nation's communication network. Although it is TOT and CAT who carry out projects and activities, NESDB has a power to approve telecommunications projects. In approving a project, a number of criteria must be met before NESDB can let it pass within 45 days. Each project must demonstrate their objectives coincide with the government's policy as well as their feasibility in physical, technical and economic terms.

Apart from the influential political appointments to the MOTC which is empowered to govern both at the ministerial level and, indirectly influential, at the BOD level, MOTC has set up a number of policy guidelines for TOT and CAT to follow. These guidelines appear in the MOTC's Communications Master Plan covering a ten-year period (1992-2001). This set of policies is translated into detailed objectives and measures, schemes, and projects.

Given a long list of activities submitted by organizations under MOTC i.e. CAT, TOT, the Postal and Telegraph Department (PTD) and the Public Relations Department (PRD), to MOTC to form a Master Plan, it is, however, still unclear what role MOTC is playing. This is evidenced from a number of unresolved issues discussed in chapter six. For example, the issue of the separation of Postal services and Telecommunications services; the issue of the duplication of services now provided by CAT and TOT; the actual development of a regulatory body etc.

MOF plays both roles of approving proposed projects from SOEs and establishing bonuses for the employees of SOEs at the end of fiscal year. The second role of MOF is through its Comptroller General's Department who sets up guidelines for the establishment of a 'Good SOE'. The existing rules require a SOE to spend less than 15 per cent in salary over total expenditures in order to be qualified as a good SOE in conjunction with four other requirements (State Enterprise Division) allowing to earn bonuses at a higher rate. The CAT's unqualified 30 per cent salary expenditure figures because they spent 55 percent of its total profit. As a result, the CAT received a 52-day bonus in 1992 compared with a 4-month bonus for TOT.

There is also conflict within the SOEs, in this case CAT and TOT themselves. The function of TOT is supposedly a complement to CAT's operation in that it provides the domestic telecommunications network while CAT handles the overseas network. Ideally, the two make a pair of service providers that can be most cost effective and technically efficient (NTIA, 1991). This is ideal under the assumption of internal efficiency and clear demarcation of services provided with a satisfactory level of co-operation. In reality, however, there are many problems, ranging from a bureaucratic system of operations within both organizations to the duplication of services offered to the public e.g. paging and cellular phone services created both inefficiency and ineffectiveness for the society. The rivalry is real and still waits to be resolved. Logically, the issue can be settled by putting forward the national interest in the equation to solve it. Politically and in a behavioural sense, however, this has to be carried out with sheer determination and political will under a comprehensive knowledge of the industry and in a timely fashion. It is interesting to note that some top executives in both organizations agree that the issue can be settled once the two meet in an open-minded, national-interest-first environment, probably with the presence of the minister or a neutral person.

During the past two decades (1980s-1990s), the politics of telecommunications in Thailand has changed from a state-dominated industry to an emerging coalition for liberalization. The development is by no means a smooth continuum, progressing along a pre-determined path, but is the result of political strife between conservative and progressive elements of telecommunications politics. Although this political contest has far from ended, since the conservative elements led by the military were still able to assert their influence occasionally when political crises arose, those short-lived assertions of political power were the exception rather than the rule, as direct political domination by the army and the bureaucracy over the telecommunications industry could no longer be sustained. The evidence suggests that the 'Bureaucratic Policy' framework could no longer be used to explain the development of the telecommunications sector.

Although state agencies such as the NESDB and the MOTC have maintained important roles in telecommunications policy-making throughout the period, Riggs's Bureaucratic Polity model did not adequately explain all the substantial changes that have taken place. For instance, they would not account for the dramatic transition of local business groups such as Shinnawatra and UCOM from being mere clients of bureaucratic patronage into partners of the state. Despite their narrowly based interests and low-level organization, some business firms were able to turn state patronage to their political advantage, disputing the characterization of these firms as 'pariah entrepreneurs' by Riggs and statist scholars.

Moreover, whereas statist scholars have perceived the bureaucracy as a monolith aiming to expand its political power and bureaucratic control, this study reveals that there were always competing interests within the bureaucracy: the anti-reform elements aimed to maintain bureaucratic control of politics while the more progressive pro-reform elements attempted to promote economic liberalization and the role of business.

This study has demonstrated that the technocratic arms of the state, the more progressive elements, have been influential in the liberalization of the telecommunications industry. There is also increasing a trend towards a strategic partnership between state and business associated with liberalization.

The domestic environment affecting telecommunications liberalization consists of the Government, the National Economic and Social Development Board (NESDB), the Ministry of Transport and Communications (MOTC), the Ministry of Finance (MOF), the Telephone Organization of Thailand (TOT), the communications Authority of Thailand (CAT), the private sector, and the customers.

The victory of the 'liberalization bloc' cannot translate merely into the defeat of the old historical bloc of military and civil bureaucrats. Those in the 'old bloc' can still insert their power from time to time. The data from chapters five and six demonstrated that the 'old bloc' is able to intervene in telecommunications politics in particular, and in the Thai political system in general for two reasons. First, non-bureaucratic interests such as political parties and telecommunications associations are not yet well established. This study found that there would still be conflicts between business and politicians, as well as conflicts among political parties and among telecommunications firms. These interests continue to shift their positions and alliances in order to gain an advantageous position, not to consolidate their own historical bloc. Secondly, the old historical bloc is the most highly organized public institution, controlling information and setting up rules and regulations in most area of society. It thus has remained influential despite its reduced role in the political system.

However, since political power is not shared among so many actors, with political parties now being the channels through which the interests of business firms, technocrats, some military elements, and others are represented, competition between the old rivalries has become more widely extended to other powers and interests as well. As the state itself also consists of competition elements either promoting or opposing political and economic reforms, the ongoing rivalries become a conflict between ideas (conservative against reformist) rather than merely institutional conflicts between two sides.

The second issue that could be raised from the changing of the role of the state is that local ideas and ideology can influence telecommunications policy. Chapter five demonstrated that telecommunications policies could be influenced by factors other than the pursuit of economic development put forward by the state. For example, the geo-political concept of turning Thailand into a regional hub encouraged wide-ranging economic reforms and programmes. The concept of 'transparent government' during the Anand regime has set the trend to wider political and social reforms. Likewise, the ongoing dialogues on 'good governance' and 'corporate governance' at international and national levels have also set the trend for economic and political transformation.

Although state intervention in telecommunications politics exists, the state is no longer the main player, but one of the growing number, in telecommunications development. What we see is an expanded political space developing over a number of years with actors changing roles across state-market.

The conclusion that can be made from Chapter five is that the Thai state is no longer the main player in telecommunications development. Unlike the prevailing views of the capitalist developmental state which explains how industrialized countries of Japan, Korea, Taiwan, and Singapore use state power to intervene in the market in order to develop their economies and industries (Deyo, 1987), the Thai state is neither an interventionist guiding Thailand towards the path of liberalization, nor a laissez-faire actor allowing the market to set its own course. The Thai state is more of an agglomeration of organizations and interests protecting and advancing many different agendas rather than a monolithic entity pursuing a particular objective. In other words, the Thai state is very dynamic, adjusting itself to emerging business demands, to the changing international environment, as well as to its own objectives.

The findings in chapter six demonstrate that private sector is playing an increasing role of providing communications services to the public. The existing activities, legal and illegal,

including the paging and cellular phone services, data communications, express mail service, private post offices etc. Potential for greater involvement waits for legal and regulatory settlements.

Inasmuch as political economy studies in Asia and Latin America focus on the role of the state/ or state autonomy in national economic development model, this study puts forward the view that the state is only one among many active players in the political economy. Challenges to state autonomy can appear in various faces ranging from labour's opposition to telecommunications reforms to political lobbying by business and political parties that influenced the government's decision on certain policy and projects. A number of interviewees cited the financial liberalization in Thailand in 1995 as a lesson to be learnt, in that for the Thai state to go beyond their capability to control their economies, ad hoc and inefficient regulation, as well as changes in international market (massive capital outflow, in financial case) could be costly to the country.

As Thailand has become a more complex political economy, the major issues are no longer limited to the government-business relationship as they appeared prior to the 1980s. Many issues such as political reforms, good governance, civil society, economic liberalization have become salient and a number of interests, for example, the political parties, business, technocrats, the NGO, the urban populace, compete for influence and power. While these major actors have their own particular interests and political agendas, they are increasingly drawn into political alignments centred on issues mentioned. The 'liberalization bloc' whom has developed into a strategic partnership between the state and business has now gained wide recognition and support from most major actors in the drive to undertake economic liberalization (Chapter 5).

Telecommunications politics is a combination of conflicts and co-operation among different interests.

Examining the correlation between regime changes manifested in the expansion and contraction of political space throughout the period, and the changing state-society relationship in telecommunications politics, this study concludes that the state no longer dominates the politics of telecommunications as it used to, but also that neither business nor state agencies alone can claim full control over the industry. On the contrary, telecommunications politics has been marked by competition between pro-reform and anti-reform coalitions, each of which has been shaped by the shifting ideas and changing positions of major political players and interests.

The findings in Chapter five show that different arms of the bureaucracy may form coalitions with non-state interests in opposition to other bureaucratic agencies. Conflicts and cooperation, thus,

have to be seen in the context of the shifting coalitions and changing positions of major participants and their interests over the issue of liberalization. Hewison (1989) and Anek (1989) may be right to suggest that in contemporary Thailand a relatively strong state coexists with the growing influence of society-based actors, as demonstrated by the pro-reform coalition. By examining how the pro-reform became salient also reveals the conflicts and competition occurred.

Chapter five has clearly revealed the interaction among many actors and interests over issues ranging from regulatory reforms to telecommunication liberalization. Although frequent changes in political regimes and the oscillations between greater and lesser political space have greatly affected the power relations among these many actors, the most influential forces have ultimately proved to be in most cases the political parties, business, and technocrats. Apart from their success in bringing about many privatization programmes under Chatichai (BTO concessions), these three major interests played the most important role in telecommunications decision-making processes and the liberalization policy that followed. Whereas the technocrats were relatively powerful under Prem and much less so under Chatichai, the Chuan government witnessed the emergence of roughly equal relationship among the three forces. Both the liberalization policy under Anand and Chuan, which superseded the past policy of privatization under Prem and Chatichai, and the concurrent idea of regional leadership required this kind of relationship, a historic bloc, in Gramsci's terms. Unlike the Northeast Asian economies or the Asian Model, which have generally been state-led or bureaucrat-centered coalitions, hegemonic liberalization in Thailand suggests a more equal relationship between the several elements of state and business coalition.

The study has also confirmed that the state is not a monolith. The state is multi-dimensional comprising of different interests. There were always competing interests within the state, as shown in chapter five and six. Technocrats tried to put forward liberalization and business participation in telecommunications politics, while the military tried to maintain its status quo as a bureaucratic influence. Even within the military itself, there were always conflicts between different groups as evidenced in the decline of the coup 1992 and the rise of Gen. Chavalid.

3. Final Words

Cox's framework based on Gramscian notion stresses the importance of structural, historical and ideological factors for an understanding of what happens in the Thai telecommunications reform and state-society relation change. It helps to highlight the inseparability of regulation and market, state and societal forces and local and global. The reality of both the business and the state is that each is composed of a plurality of institutions. Businesses are many and diverse in scale, rate of

change and institutional characteristics, being shaped not just by technologies and internationalization but also by national culture and institutional patterns. States are also internally fragmented and compartmentalized, with institutions that sometimes behave like 'a state within a state' (Dyson and Humphrey, 1990). There are conflicts, not least opposing institutional self-interests. The 'autonomy' of the state and of business thus is appropriately the object of this analysis.

Accordingly, Cox's Framework for action, based on Gramscian notion of hegemony, offers an adequate basis for empirical research on telecommunications reform and power relation change. By this means it is possible to examine in a detailed manner the way in which institutions and patterns of state-society relation respond to internationalization of state, market and ideology. This thesis has shown that Thai telecommunications policy reflects the complex interdependence of economics and politics. A range of variables has affected policy development. Amongst these variables are market forces and ideological changes that have been important in destabilizing institutional arrangements and state-society relation. They have helped to modify the perceptions of policy-makers about the options that they face. At the same time, the specific characteristics of institutional arrangements and patterns of state-society relations have shaped the degree to which pressures for liberalization have been accommodated.

Thai Telecommunications policies have been contingent on the complex configurations of market forces, technological changes, institutional interests and the pattern of state-society relationship that are specific to individual cases. These policies have achieved a degree of stability and effectiveness to the extent that strategy has embedded in institutional structure. Where strategy and structure have been difficult to reconcile, problems of implementation have bedeviled policy and compromised success as demonstrated in the concession conversion. Thus success depends on the strength and adequacy of a reforming coalition within a state-society relation to implement a given strategy.

Above all, implementation is increasingly bound up in the internationalized nature of the political economy of telecommunications. National policies are compelled to encompass the behaviour of, in this case, the international institution. Faced by complex realities of interdependence, governments have to make more difficult choices about how to maximize national advantage, in particular, how to attract internationally mobile capital by deregulation, while protecting local markets. As we have seen, these choices are not made autonomously, and their character has been conditioned more by changing perceptions of institutional interest.

From the study, I have to conclude that trying to conceptualize the changes in the role of the state and its relation to society under the globalization condition is difficult. I tried to show within the capacity of this research that such an aim, however, is far from being impossible. Thus further studies have to be done to capture the whole picture of the Thai telecommunications industry as well as the role of the Thai state in this area of development. Those further topics include the structure of telecommunications in post-transition for the understanding of the extent of change; the intra-relation among different capitals within the telecommunications industry and the study of ownership and controls.

Table 7.1 Internal and External Forces for Changes during the Telecommunications Reform 1980-2000

	Internal Forces		External Forces	
	Politics	Economy	Politics	Economy
Prem (1980-88)	Authoritarian to Quasi-democracy Instability with two abortive coups and nation-wide labour strikes	Recession Devalue baht Open economic policy IMF package	Privatization and deregulation of State owned enterprises overseas i.e. UK, USA, Japan	Second Oil crisis
Chatichai (1989-91)	Quasi-democracy to democratic party-based system	Boom with double-digit growth Idea to turn Thailand into regional hub in finance, banking and telecommunications	Cold War	New Industrialized Countries
Anand (1991-92)	Technocratic regime Political parties excluded	Policy to make Thailand a gateway to Indochina	Regionalization Further telecommunications deregulation world-wide	Regionalization
Chuan (1992-95 & 1998- 2000)	Semi-technocratic, semi-business- oriented regime Instability with public demand for transparency and wide-ranging economic and political reforms	Asian crisis 1997 put Thailand back into defensive position	WTO (GATT) ASEAN Agreement IMF conditions to speed up liberalization	WTO (GATT) ASEAN Agreement IMF conditions to speed up liberalization

Appendix A: Telecommunications Master Plan 1997-2006

The policy framework of the Master Plan sets out to include but not necessarily limited to the following goals:

1. Widespread and equitable network and service penetration, in particular in basic telephone service.
2. Service quality and reliability comparable to international standards.
3. Wide range of service variety and choices available.
4. A pricing structure which is fair to both consumers and service providers.
5. Proper regulations and incentives for providers to commit to universal service objective and other social service obligations.
6. Adequate incentives to employ resource-efficient modern technology.
7. Adequate skilled personnel in quantity and quality.

The key measures to achieve the above goals are:

1. Market structure
 - Abolish the existing monopolies and open the markets to competition under the regulation of an independent National Telecommunications Committee (NTC).
 - Long-term goal should be full liberalization of the market within 8 years after competition is introduced.
 - Regulatory rules and procedures should be laid down within 12 months after the NTC is established. Concessions granted before the liberalization of the market will have to be renegotiated so the terms and conditions are compatible with a free market system.
2. Regulations
 - The NTC will have to be independent from the government, in particular concerning licensing.
 - The power to appoint Board members of the NTC should rest with a single authority to be decided by the Ministry of Transport and Communications (MOTC).
 - Appeals provisions should be instituted to ensure fairness to both operators and consumers.
 - The regulation of frequency should be remain within the purview of the Post and Telegraph Department (PTD), except for the allocation and licensing of frequency needed to provide public telecommunications services.
3. Pricing
 - The NTC will regulate the pricing structure.
4. Universal Service Obligation
 - Subsidization of the basic telephone service and other public services should be made clear and transparent.
 - Universal Service Fund might be set up.
 - Communities beyond the reach of basic telephone services should be encouraged to set their own communication network with the assistance of the Universal Service Fund.
5. Interconnection Obligation
 - Standardization of rules to ensure interconnection.

6. Licensing Requirement

- All operators should be subjected to the same set of regulations.

7. Privatization of State Enterprises

- The postal service operation should be separated from the Communications Authority of Thailand (CAT).
- Both the Telephone Organization of Thailand (TOT) and CAT should be privatized.

8. Frequency Licensing

- The NTC should purview frequency allocation and licensing.
- The existing National Frequency Plan should be rationalized in keeping with the changing technology, market demands, and national social and economic objectives.

9. The Structure of Telecommunications Law

- A Public Telecommunication Law should be drafted. It should cover important issues such as universal service and interconnection obligations.
- The NTC and its Regulatory Office should be established by law.
- Amendment in existing laws is to be made where needed in accordance with the new Public Telecommunications Law.

10. Human Resource Development

- All divisions and agencies concerned telecommunications should undertake immediate personnel development
- A specialized University of Telecommunications should be established to provide much needed manpower.

11. Private Concessions Under the Build-Transfer-Operate Scheme (BTO)

- There should be no further new BTO concession. This is not to add to the burden of negotiations to come of a large number of existing concessions granted so far.

Source: Summarized from the Ministry of Transport and Communications.
Telecommunications Master Plan 1997-2006, Bangkok: MOTC.

Appendix B: Conversion Guidelines

The Telecommunications Master Plan recommended that all existing concessions should be converted to create ‘level playing field’ as following:

1. Each concession should be treated on the same basis as much as possible.
2. Assets transferred to the Telephone Organization of Thailand (TOT) and the Communications Authority of Thailand (CAT) under Build-Transfer-Operate Scheme (BTO) will not be sold back to concessionaires.
3. Compensation to government entities are to be made on the principles of fairness and mutual benefit and should be agreed on by all parties, subject to the conditions that private operators must be able to continue the businesses without significant damage.
4. Revenue sharing will be waived after the effective date of conversion. After liberalization, all operators, including privatized TOT and CAT, will pay licence fees and other related fees to the National Telecommunications Committee (NTC).
5. Compensation from concession conversion will be used to reduce service fees, to establish funds for development of human resources in telecommunications and information technology systems field, to establish telecommunications research and development funds and to establish unemployment funds and can be in the form of concessionaires’ equity held by the concession-granter.

Valuation Framework

Concept – The key challenge is to properly define the monetary value of the government’s future revenue share from the concessions. The valuation framework will be highly dependent on three key factors:

- Future business outlook
- The establishment of the period of revenue-sharing
- Determine the appropriate discount rate

1. Future business outlook:

Financial forecasts particularly in these volatile markets can greatly affect the valuation of the concessions.

2. Establishing the revenue-sharing period:

Some of the options that the government can consider are as follows:

- Full life of the concession
- Until liberalization
- Until privatization

3. Determining the appropriate discount rate

This is adjustment for potential introduction of interconnection charges and licence fees. There are three alternatives for consideration.

- a) Licence fees and interconnection charges can be viewed as a partial replacement for the current revenue-sharing structure that the government is entitled to.
- b) Defer concession-conversion compensation over a suitable time frame. The present value of these payments can be deducted from the remaining payment due to the government.
- c) Receive all the compensation payments due now. When the interconnection charges and licence fees are introduced, the concessionaires can be compensated for that amount.

Source: Summarized from the Ministry of Transport and Communications.

Telecommunications Master Plan 1997-2006, Bangkok: MOTC.

Appendix C: Names of businessmen supporting the Political Parties

The Democrat Party

There are 25 lists of businessmen or groups. Well-known names are as follows:

1. Pichai Rattakul
2. Pornthep Techapaiboon
3. Thanin Jeravanon CP Group and Telecom Asia
4. Boonchai Bencharongkul UCOM group
5. Tharin Nimmanhemin
6. Dr Athit U-rairat
7. Gen. Sanan Kajornprasart
8. Soponpanitch family

Chat Thai Party

There are 24 lists of businessmen. Well-known names are

1. Gen. Pramarn Adireksarn
2. Chucheeep Harnsawat
3. Banharn Silpa-archa
4. Suraphan Shinnawatra Shinnawatra group
5. Kannasut family
6. Narong Vongvan
7. Khunplum family

Chat Pattana Party

There are 21 lists of businessmen. Well-known are

1. Gen. Chatichai Choonhavan
2. Suwat Lipatapanlop
3. Prajueb Chaiyasarn
4. Osathanukrok family
5. Don Muang Toll way group
6. Dr Adisak Potaramik Jasmine group
7. TT&T group
8. Samart group

New Aspiration Party

There are 15 names on the list. Well-known are

1. Vichai Krisadathanon
2. Krekchai Sorsotathikul
3. Thanin Jeravanon CP Group, Telecom Asia
4. Sanor Theanthong
5. Chucheeep Harnsawat

Palang Dharma Party

There are 13 lists of names. Well-known are

1. Thaksin Shinnawatra Shinnawatra group
2. Anan Asavapokin
3. Kiri Karnchanapart
4. Premchai Kannasut
5. Sudarat Keyurapan

Thai People Party (Prachakornthai)

1. Jirathivat family
2. Yingpan manasikarn
3. Asavahem family
4. C.P. group

Kit Sangkom

1. Pong Sarasin
2. Montri Pongpanitch

Seri Dharma

1. Pinit Jarusombat
2. UCOM group

Num Thai

1. Vichai Krisadathanon
2. Songkarn Issara
3. Piroj Peampongsarn
4. Narongchai Akraseranee
5. Prasit Narongdej

Source: Summarized from Preecha and Suree (1998). Merchant and Businessmen and the Thai Cabinet (paw-ka lae nak thurakit kub ra-bob ratsapa tai). Bangkok: House of Parliament.

Appendix D: Summary of the study of the Charoen Pokkaphan (CP) contract

1. The selection of CP did not follow the terms of reference previously announced. The terms of references was violated on many points as follows:
 - CP lacked qualifications and experience in the telecommunications area as required by the terms of references.
 - The original aim of the bid was to have more than one operator, but CP was only one selected.
 - Terms of References were not clear on the granting criteria.
 - While the committee understood that CP had a joint venture with the British Telecom (BT), it turned out that BT was merely a consultant hired by CP for preparing the project proposal.
2. CP was allowed to adjust its plan any time. This meant that the state had no guarantee if CP would implement its project. CP proposal also did not contain description of its plan such as what service, where and when consumers can expect it.
3. CP indicated that it would not be responsible for circumstances beyond responsibility of TOT, such as strikes, economic difficulties, legal amendments, appropriation, price restructuring, new consumer ratings, and government policies which might affect CP's business.
4. TOT's burden in supporting CP was too great and unlimited. TOT was obliged to service CP's operation and provide the necessary information, jointly invest with CP to adjust its telephone systems to be compatible to CP's and take care of maintenance services.
5. TOT's was to invest before it earned revenues; TOT ran a high risk of losses.
6. CP's revenue-sharing was unfair because:
 - CP asked to use an upward adjustment of revenue sharing for its Bangkok project but yet was granted some privilege such as to be able to include revenues from international calls in its formula calculation.

- TOT's and CP's revenue-sharing formula were based on different grounds.
7. CP would monopolize telephone services in Thailand for the next 25 years because:
 - TOT would not be able to connect the telephone networks of other operators to CP's. This criterion was different from the BTO criteria that emphasized on interconnection.
 - Because the state protection to CP, TOT was not able to expand telephone lines without CP permission.
 8. CP would be able to influence the decision-making power of the project because CP would provide funding as well as siting as the secretariat of the coordination committee.
 9. CP was allowed to revise the contract and was to be the first priority in any telephone expansion plans and provision of value-added services.
 10. The government was obliged to bear burdens that would outweigh the benefits. For example, there would be two telephone systems in one area working on different conditions. TOT would not have control of its assets, including land and buildings.
 11. The contract would lead to the transfer of a state monopoly to a private monopoly because CP would control the use of TOT's property and assets as well as the decision-making power in the project.

Source: Summarized from Prime Minister's Office (1991) *Report of the Three-Million-Line telephone project* (khor tej jing krongkarn torasap samlan lekmai). Bangkok: May 1991 [in Thai].

Appendix E: World Bank Report on the Telephone Project

The World Bank recommended that in the case the Thai government decide to go ahead with the BTO concession, they should revise the contract as follows:

1. Limit the revenue-sharing period to 10 years.
2. Limit the BTO project to a size that would be manageable and financially viable for investors – probably 300,000 lines each.
3. Ensure that the contract does not limit the government's prerogatives in the future to determine network connection and other telecommunications competition policies and practices.
4. Require the BTO corporation to commit itself to network expansion, service quality standards and right to access.
5. Require the BTO investors to include substantial long-term plan from their partner.
6. Require the BTO corporation to certify its ability to finance the project.
7. Separate the BTO project into at least two geographic packages with different investor groups.
8. Set up a clear revenue-sharing formula.
9. Require the BTO firm to provide information concerning costs, contracts, and procurement as well as to comply with MOTC directives and guidelines.
10. Require the BTO firm to provide any information concerning technical standards and network configuration and architecture.

Source: Summarized from World Bank (1991). *Thailand Telecommunications Mission Aide-Memoire*. Bangkok: World Bank Office.

Appendix F: GATS

Part I

SCOPE AND DEFINITION

Article I

Scope and Definition

1. This Agreement applies to measures by Members affecting trade in services.
2. For the purposes of this Agreement, trade in services is defined as the supply of a service:
 - (a) from the territory of one Member into the territory of any other Member;
 - (b) in the territory of one Member to the service consumer of any other Member;
 - (c) by a service supplier of one Member, through commercial presence in the territory of any other Member;
 - (d) by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member.
3. For the purposes of this Agreement:
 - (a) "measures by Members" means measures taken by:
 - (i) central, regional or local governments and authorities; and
 - (ii) non-governmental bodies in the exercise of powers delegated by central, regional or local governments or authorities;

In fulfilling its obligations and commitments under the Agreement, each Member shall take such reasonable measures as may be available to it to ensure their observance by regional and local governments and authorities and non-governmental bodies within its territory;

- (b) "services" includes any service in any sector except services supplied in the exercise of governmental authority;
- (c) "a service supplied in the exercise of governmental authority" means any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers.

PART II

GENERAL OBLIGATIONS AND DISCIPLINES

Article II

Most-Favoured-Nation Treatment

1. With respect to any measure covered by this Agreement, each Member shall accord immediately and unconditionally to services and service suppliers of any other Member treatment no less favourable than that it accords to like services and service suppliers of any other country.
2. A Member may maintain a measure inconsistent with paragraph 1 provided that such a measure is listed in, and meets the conditions of, the Annex on Article II Exemptions.
3. The provisions of this Agreement shall not be so construed as to prevent any Member from conferring or according advantages to adjacent countries in order to facilitate exchanges limited to contiguous frontier zones of services that are both locally produced and consumed.

Article III

Transparency

1. Each Member shall publish promptly and, except in emergency situations, at the latest by the time of their entry into force, all relevant measures of general application which pertain to or affect the operation of this Agreement. International agreements pertaining to or affecting trade in services to which a Member is a signatory shall also be published.
2. Where publication as referred to in paragraph 1 is not practicable, such information shall be made otherwise publicly available.
3. Each Member shall promptly and at least annually inform the Council for Trade in Services of the introduction of any new, or any changes to existing, laws, regulations or administrative guidelines which significantly affect trade in services covered by its specific commitments under this Agreement.
4. Each Member shall respond promptly to all requests by any other Member for specific information on any of its measures of general application or international agreements within the meaning of paragraph 1. Each Member shall also establish one or more enquiry points to provide specific information to other Members, upon request, on all such matters as well as those subject to the notification requirement in paragraph 3. Such enquiry points shall be established within two years from the date of entry into force of the Agreement Establishing the WTO (referred to in this Agreement as the "WTO Agreement"). Appropriate flexibility with respect to the time limit within which such enquiry points are to be established may be agreed upon for individual developing country Members. Enquiry points need not be depositories of laws and regulations.

5. Any Member may notify to the Council for Trade in Services any measure, taken by any other Member, which it considers affects the operation of this Agreement.

Article III bis

Disclosure of Confidential Information

Nothing in this Agreement shall require any Member to provide confidential information, the disclosure of which would impede law enforcement, or otherwise be contrary to the public interest, or which would prejudice legitimate commercial interests of particular enterprises, public or private.

Article IV

Increasing Participation of Developing Countries

1. The increasing participation of developing country Members in world trade shall be facilitated through negotiated specific commitments, by different Members pursuant to Parts III and IV of this Agreement, relating to:

- (a) the strengthening of their domestic services capacity and its efficiency and competitiveness, *inter alia* through access to technology on a commercial basis;
- (b) the improvement of their access to distribution channels and information networks; and
- (c) the liberalization of market access in sectors and modes of supply of export interest to them.

2. Developed country Members, and to the extent possible other Members, shall establish contact points within two years from the date of entry into force of the WTO Agreement to facilitate the access of developing country Members' service suppliers to information, related to their respective markets, concerning:

- (a) commercial and technical aspects of the supply of services;
- (b) registration, recognition and obtaining of professional qualifications; and
- (c) the availability of services technology.

3. Special priority shall be given to the least-developed country Members in the implementation of paragraphs 1 and 2. Particular account shall be taken of the serious difficulty of the least-developed countries in accepting negotiated specific commitments in view of their special economic situation and their development, trade and financial needs.

Article V

Economic Integration

1. This Agreement shall not prevent any of its Members from being a party to or entering into an agreement liberalizing trade in services between or among the parties to such an agreement, provided that such an agreement:

- (a) has substantial sectoral coverage¹, and
- (b) provides for the absence or elimination of substantially all discrimination, in the sense of Article XVII, between or among the parties, in the sectors covered under subparagraph (a), through:
 - (i) elimination of existing discriminatory measures, and/or
 - (ii) prohibition of new or more discriminatory measures,

either at the entry into force of that agreement or on the basis of a reasonable time frame, except for measures permitted under Articles XI, XII, XIV and XIV bis.

2. In evaluating whether the conditions under paragraph 1(b) are met, consideration may be given to the relationship of the agreement to a wider process of economic integration or trade liberalization among the countries concerned.

3. (a) Where developing countries are parties to an agreement of the type referred to in paragraph 1, flexibility shall be provided for regarding the conditions set out in paragraph 1, particularly with reference to subparagraph (b) thereof, in accordance with the level of development of the countries concerned, both overall and in individual sectors and subsectors.

(b) Notwithstanding paragraph 6, in the case of an agreement of the type referred to in paragraph 1 involving only developing countries, more favourable treatment may be granted to juridical persons owned or controlled by natural persons of the parties to such an agreement.

4. Any agreement referred to in paragraph 1 shall be designed to facilitate trade between the parties to the agreement and shall not in respect of any Member outside the agreement raise the overall level of barriers to trade in services within the respective sectors or subsectors compared to the level applicable prior to such an agreement.

5. If, in the conclusion, enlargement or any significant modification of any agreement under paragraph 1, a Member intends to withdraw or modify a specific commitment inconsistently with the terms and conditions set out in its Schedule, it shall provide at least 90 days advance notice of such modification or withdrawal and the procedure set forth in paragraphs 2, 3 and 4 of Article XXI shall apply.

6. A service supplier of any other Member that is a juridical person constituted under the laws of a party to an agreement referred to in paragraph 1 shall be entitled to treatment granted

¹This condition is understood in terms of number of sectors, volume of trade affected and modes of supply. In order to meet this condition, agreements should not provide for the *a priori* exclusion of any mode of supply.

under such agreement, provided that it engages in substantive business operations in the territory of the parties to such agreement.

7. (a) Members which are parties to any agreement referred to in paragraph 1 shall promptly notify any such agreement and any enlargement or any significant modification of that agreement to the Council for Trade in Services. They shall also make available to the Council such relevant information as may be requested by it. The Council may establish a working party to examine such an agreement or enlargement or modification of that agreement and to report to the Council on its consistency with this Article.

(b) Members which are parties to any agreement referred to in paragraph 1 which is implemented on the basis of a time frame shall report periodically to the Council for Trade in Services on its implementation. The Council may establish a working party to examine such reports if it deems such a working party necessary.

(c) Based on the reports of the working parties referred to in subparagraphs (a) and (b), the Council may make recommendations to the parties as it deems appropriate.

8. A Member which is a party to any agreement referred to in paragraph 1 may not seek compensation for trade benefits that may accrue to any other Member from such agreement.

Article V bis

Labour Markets Integration Agreements

This Agreement shall not prevent any of its Members from being a party to an agreement establishing full integration² of the labour markets between or among the parties to such an agreement, provided that such an agreement:

- (a) exempts citizens of parties to the agreement from requirements concerning residency and work permits;
- (b) is notified to the Council for Trade in Services.

Article VI

Domestic Regulation

1. In sectors where specific commitments are undertaken, each Member shall ensure that all measures of general application affecting trade in services are administered in a reasonable, objective and impartial manner.

2. (a) Each Member shall maintain or institute as soon as practicable judicial, arbitral or administrative tribunals or procedures which provide, at the request of an affected service supplier, for the prompt review of, and where justified, appropriate remedies for, administrative decisions affecting trade in services. Where such procedures are not independent of the agency

²Typically, such integration provides citizens of the parties concerned with a right of free entry to the employment markets of the parties and includes measures concerning conditions of pay, other conditions of employment and social benefits.

entrusted with the administrative decision concerned, the Member shall ensure that the procedures in fact provide for an objective and impartial review.

(b) The provisions of subparagraph (a) shall not be construed to require a Member to institute such tribunals or procedures where this would be inconsistent with its constitutional structure or the nature of its legal system.

3. Where authorization is required for the supply of a service on which a specific commitment has been made, the competent authorities of a Member shall, within a reasonable period of time after the submission of an application considered complete under domestic laws and regulations, inform the applicant of the decision concerning the application. At the request of the applicant, the competent authorities of the Member shall provide, without undue delay, information concerning the status of the application.

4. With a view to ensuring that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services, the Council for Trade in Services shall, through appropriate bodies it may establish, develop any necessary disciplines. Such disciplines shall aim to ensure that such requirements are, *inter alia*:

- (a) based on objective and transparent criteria, such as competence and the ability to supply the service;
- (b) not more burdensome than necessary to ensure the quality of the service;
- (c) in the case of licensing procedures, not in themselves a restriction on the supply of the service.

5. (a) In sectors in which a Member has undertaken specific commitments, pending the entry into force of disciplines developed in these sectors pursuant to paragraph 4, the Member shall not apply licensing and qualification requirements and technical standards that nullify or impair such specific commitments in a manner which:

- (i) does not comply with the criteria outlined in subparagraphs 4(a), (b) or (c); and
- (ii) could not reasonably have been expected of that Member at the time the specific commitments in those sectors were made.

(b) In determining whether a Member is in conformity with the obligation under paragraph 5(a), account shall be taken of international standards of relevant international organizations³ applied by that Member.

6. In sectors where specific commitments regarding professional services are undertaken, each Member shall provide for adequate procedures to verify the competence of professionals of any other Member.

³The term "relevant international organizations" refers to international bodies whose membership is open to the relevant bodies of at least all Members of the WTO.

Article VII

Recognition

1. For the purposes of the fulfilment, in whole or in part, of its standards or criteria for the authorization, licensing or certification of services suppliers, and subject to the requirements of paragraph 3, a Member may recognize the education or experience obtained, requirements met, or licenses or certifications granted in a particular country. Such recognition, which may be achieved through harmonization or otherwise, may be based upon an agreement or arrangement with the country concerned or may be accorded autonomously.
2. A Member that is a party to an agreement or arrangement of the type referred to in paragraph 1, whether existing or future, shall afford adequate opportunity for other interested Members to negotiate their accession to such an agreement or arrangement or to negotiate comparable ones with it. Where a Member accords recognition autonomously, it shall afford adequate opportunity for any other Member to demonstrate that education, experience, licenses, or certifications obtained or requirements met in that other Member's territory should be recognized.
3. A Member shall not accord recognition in a manner which would constitute a means of discrimination between countries in the application of its standards or criteria for the authorization, licensing or certification of services suppliers, or a disguised restriction on trade in services.
4. Each Member shall:
 - (a) within 12 months from the date on which the WTO Agreement takes effect for it, inform the Council for Trade in Services of its existing recognition measures and state whether such measures are based on agreements or arrangements of the type referred to in paragraph 1;
 - (b) promptly inform the Council for Trade in Services as far in advance as possible of the opening of negotiations on an agreement or arrangement of the type referred to in paragraph 1 in order to provide adequate opportunity to any other Member to indicate their interest in participating in the negotiations before they enter a substantive phase;
 - (c) promptly inform the Council for Trade in Services when it adopts new recognition measures or significantly modifies existing ones and state whether the measures are based on an agreement or arrangement of the type referred to in paragraph 1.
5. Wherever appropriate, recognition should be based on multilaterally agreed criteria. In appropriate cases, Members shall work in cooperation with relevant intergovernmental and non-governmental organizations towards the establishment and adoption of common international standards and criteria for recognition and common international standards for the practice of relevant services trades and professions.

Article VIII

Monopolies and Exclusive Service Suppliers

1. Each Member shall ensure that any monopoly supplier of a service in its territory does not, in the supply of the monopoly service in the relevant market, act in a manner inconsistent with that Member's obligations under Article II and specific commitments.
2. Where a Member's monopoly supplier competes, either directly or through an affiliated company, in the supply of a service outside the scope of its monopoly rights and which is subject to that Member's specific commitments, the Member shall ensure that such a supplier does not abuse its monopoly position to act in its territory in a manner inconsistent with such commitments.
3. The Council for Trade in Services may, at the request of a Member which has a reason to believe that a monopoly supplier of a service of any other Member is acting in a manner inconsistent with paragraph 1 or 2, request the Member establishing, maintaining or authorizing such supplier to provide specific information concerning the relevant operations.
4. If, after the date of entry into force of the WTO Agreement, a Member grants monopoly rights regarding the supply of a service covered by its specific commitments, that Member shall notify the Council for Trade in Services no later than three months before the intended implementation of the grant of monopoly rights and the provisions of paragraphs 2, 3 and 4 of Article XXI shall apply.
5. The provisions of this Article shall also apply to cases of exclusive service suppliers, where a Member, formally or in effect, (a) authorizes or establishes a small number of service suppliers and (b) substantially prevents competition among those suppliers in its territory.

Article IX

Business Practices

1. Members recognize that certain business practices of service suppliers, other than those falling under Article VIII, may restrain competition and thereby restrict trade in services.
2. Each Member shall, at the request of any other Member, enter into consultations with a view to eliminating practices referred to in paragraph 1. The Member addressed shall accord full and sympathetic consideration to such a request and shall cooperate through the supply of publicly available non-confidential information of relevance to the matter in question. The Member addressed shall also provide other information available to the requesting Member, subject to its domestic law and to the conclusion of satisfactory agreement concerning the safeguarding of its confidentiality by the requesting Member.

Article X

Emergency Safeguard Measures

1. There shall be multilateral negotiations on the question of emergency safeguard measures based on the principle of non-discrimination. The results of such negotiations shall enter into effect on a date not later than three years from the date of entry into force of the WTO Agreement.
2. In the period before the entry into effect of the results of the negotiations referred to in paragraph 1, any Member may, notwithstanding the provisions of paragraph 1 of Article XXI, notify the Council on Trade in Services of its intention to modify or withdraw a specific commitment after a period of one year from the date on which the commitment enters into force; provided that the Member shows cause to the Council that the modification or withdrawal cannot await the lapse of the three-year period provided for in paragraph 1 of Article XXI.
3. The provisions of paragraph 2 shall cease to apply three years after the date of entry into force of the WTO Agreement.

Article XI

Payments and Transfers

1. Except under the circumstances envisaged in Article XII, a Member shall not apply restrictions on international transfers and payments for current transactions relating to its specific commitments.
2. Nothing in this Agreement shall affect the rights and obligations of the members of the International Monetary Fund under the Articles of Agreement of the Fund, including the use of exchange actions which are in conformity with the Articles of Agreement, provided that a Member shall not impose restrictions on any capital transactions inconsistently with its specific commitments regarding such transactions, except under Article XII or at the request of the Fund.

Article XII

Restrictions to Safeguard the Balance of Payments

1. In the event of serious balance-of-payments and external financial difficulties or threat thereof, a Member may adopt or maintain restrictions on trade in services on which it has undertaken specific commitments, including on payments or transfers for transactions related to such commitments. It is recognized that particular pressures on the balance of payments of a Member in the process of economic development or economic transition may necessitate the use of restrictions to ensure, *inter alia*, the maintenance of a level of financial reserves adequate for the implementation of its programme of economic development or economic transition.
2. The restrictions referred to in paragraph 1:
 - (a) shall not discriminate among Members:

Article X

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1. There shall be multilateral negotiations on the question of emergency safeguard measures based on the principle of non-discrimination. The results of such negotiations shall enter into effect on a date not later than three years from the date of entry into force of the WTO Agreement.
2. In the period before the entry into effect of the results of the negotiations referred to in paragraph 1, any Member may, notwithstanding the provisions of paragraph 1 of Article XXI, notify the Council on Trade in Services of its intention to modify or withdraw a specific commitment after a period of one year from the date on which the commitment enters into force; provided that the Member shows cause to the Council that the modification or withdrawal cannot await the lapse of the three-year period provided for in paragraph 1 of Article XXI.
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2. The restrictions referred to in paragraph 1:
 - (a) shall not discriminate among Members:

- (b) shall be consistent with the Articles of Agreement of the International Monetary Fund;
- (c) shall avoid unnecessary damage to the commercial, economic and financial interests of any other Member;
- (d) shall not exceed those necessary to deal with the circumstances described in paragraph 1;
- (e) shall be temporary and be phased out progressively as the situation specified in paragraph 1 improves.

3. In determining the incidence of such restrictions, Members may give priority to the supply of services which are more essential to their economic or development programmes. However, such restrictions shall not be adopted or maintained for the purpose of protecting a particular service sector.

4. Any restrictions adopted or maintained under paragraph 1, or any changes therein, shall be promptly notified to the General Council.

5. (a) Members applying the provisions of this Article shall consult promptly with the Committee on Balance-of-Payments Restrictions on restrictions adopted under this Article.

(b) The Ministerial Conference shall establish procedures⁴ for periodic consultations with the objective of enabling such recommendations to be made to the Member concerned as it may deem appropriate.

(c) Such consultations shall assess the balance-of-payment situation of the Member concerned and the restrictions adopted or maintained under this Article, taking into account, *inter alia*, such factors as:

- (i) the nature and extent of the balance-of-payments and the external financial difficulties;
- (ii) the external economic and trading environment of the consulting Member;
- (iii) alternative corrective measures which may be available.

(d) The consultations shall address the compliance of any restrictions with paragraph 2, in particular the progressive phase out of restrictions in accordance with paragraph 2(e).

(e) In such consultations, all findings of statistical and other facts presented by the International Monetary Fund relating to foreign exchange, monetary reserves and balance of payments, shall be accepted and conclusions shall be based on the assessment by the Fund of the balance-of-payments and the external financial situation of the consulting Member.

⁴It is understood that the procedures under paragraph 5 shall be the same as the GATT 1994 procedures.

6. If a Member which is not a member of the International Monetary Fund wishes to apply the provisions of this Article, the Ministerial Conference shall establish a review procedure and any other procedures necessary.

Article XIII

Government Procurement

1. Articles II, XVI and XVII shall not apply to laws, regulations or requirements governing the procurement by governmental agencies of services purchased for governmental purposes and not with a view to commercial resale or with a view to use in the supply of services for commercial sale.

2. There shall be multilateral negotiations on government procurement in services under this Agreement within two years from the date of entry into force of the WTO Agreement.

Article XIV

General Exceptions

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where like conditions prevail, or a disguised restriction on trade in services, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any Member of measures:

- (a) necessary to protect public morals or to maintain public order;⁵
- (b) necessary to protect human, animal or plant life or health;
- (c) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement including those relating to:
 - (i) the prevention of deceptive and fraudulent practices or to deal with the effects of a default on services contracts;
 - (ii) the protection of the privacy of individuals in relation to the processing and dissemination of personal data and the protection of confidentiality of individual records and accounts;
 - (iii) safety;
- (d) inconsistent with Article XVII, provided that the difference in treatment is aimed at ensuring the equitable or effective⁶ imposition or collection of direct taxes in respect of services or service suppliers of other Members:

⁵The public order exception may be invoked only where a genuine and sufficiently serious threat is posed to one of the fundamental interests of society.

⁶Measures that are aimed at ensuring the equitable or effective imposition or collection of direct taxes include measures taken by a Member under its taxation system which:

- (e) inconsistent with Article II, provided that the difference in treatment is the result of an agreement on the avoidance of double taxation or provisions on the avoidance of double taxation in any other international agreement or arrangement by which the Member is bound.

Article XIV bis

Security Exceptions

1. Nothing in this Agreement shall be construed:
 - (a) to require any Member to furnish any information, the disclosure of which it considers contrary to its essential security interests; or
 - (b) to prevent any Member from taking any action which it considers necessary for the protection of its essential security interests:
 - (i) relating to the supply of services as carried out directly or indirectly for the purpose of provisioning a military establishment;
 - (ii) relating to fissionable and fusionable materials or the materials from which they are derived;
 - (iii) taken in time of war or other emergency in international relations; or
 - (c) to prevent any Member from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.
-
- (i) apply to non-resident service suppliers in recognition of the fact that the tax obligation of non-residents is determined with respect to taxable items sourced or located in the Member's territory; or
 - (ii) apply to non-residents in order to ensure the imposition or collection of taxes in the Member's territory; or
 - (iii) apply to non-residents or residents in order to prevent the avoidance or evasion of taxes, including compliance measures; or
 - (iv) apply to consumers of services supplied in or from the territory of another Member in order to ensure the imposition or collection of taxes on such consumers derived from sources in the Member's territory; or
 - (v) distinguish service suppliers subject to tax on worldwide taxable items from other service suppliers, in recognition of the difference in the nature of the tax base between them; or
 - (vi) determine, allocate or apportion income, profit, gain, loss, deduction or credit of resident persons or branches, or between related persons or branches of the same person, in order to safeguard the Member's tax base.

Tax terms or concepts in paragraph (d) of Article XIV and in this footnote are determined according to tax definitions and concepts, or equivalent or similar definitions and concepts, under the domestic law of the Member taking the measure.

2. The Council for Trade in Services shall be informed to the fullest extent possible of measures taken under paragraphs 1(b) and (c) and of their termination.

Article XV

Subsidies

1. Members recognize that, in certain circumstances, subsidies may have distorted effects on trade in services. Members shall enter into negotiations with a view to developing the necessary multilateral disciplines to avoid such trade-distort effects.⁷ The negotiations shall also address the appropriateness of countervailing procedures. Such negotiations shall recognize the role of subsidies in relation to the development programmes of developing countries and take into account the needs of Members, particularly developing country Members, for flexibility in this area. For the purpose of such negotiations, Members shall exchange information concerning all subsidies related to trade in services that they provide to their domestic service suppliers.

2. Any Member which considers that it is adversely affected by a subsidy of another Member may request consultations with that Member on such matters. Such requests shall be accorded sympathetic consideration.

PART III

SPECIFIC COMMITMENTS

Article XVI

Market Access

1. With respect to market access through the modes of supply identified in Article I, each Member shall accord services and service suppliers of any other Member treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its Schedule.⁸

2. In sectors where market-access commitments are undertaken, the measures which a Member shall not maintain or adopt either on the basis of a regional subdivision or on the basis of its entire territory, unless otherwise specified in its Schedule, are defined as:

- (a) limitations on the number of service suppliers whether in the form of numerical quotas, monopolies, exclusive service suppliers or the requirements of an economic needs test;

⁷A future work programme shall determine how, and in what timeframe, negotiations on such multilateral disciplines will be conducted.

⁸If a Member undertakes a market-access commitment in relation to the supply of a service through the mode of supply referred to in subparagraph 2(a) of Article I and if the cross-border movement of capital is an essential part of the service itself, that Member is thereby committed to allow such movement of capital. If a Member undertakes a market-access commitment in relation to the supply of a service through the mode of supply referred to in subparagraph 2(c) of Article I, it is thereby committed to allow related transfers of capital into its territory.

- (b) limitations on the total value of service transactions or assets in the form of numerical quotas or the requirement of an economic needs test;
- (c) limitations on the total number of service operations or on the total quantity of service output expressed in terms of designated numerical units in the form of quotas or the requirement of an economic needs test;⁹
- (d) limitations on the total number of natural persons that may be employed in a particular service sector or that a service supplier may employ and who are necessary for, and directly related to, the supply of a specific service in the form of numerical quotas or the requirement of an economic needs test;
- (e) measures which restrict or require specific types of legal entity or joint venture through which a service supplier may supply a service; and
- (f) limitations on the participation of foreign capital in terms of maximum percentage limit on foreign shareholding or the total value of individual or aggregate foreign investment.

Article XVII

National Treatment

1. In the sectors inscribed in its Schedule, and subject to any conditions and qualifications set out therein, each Member shall accord to services and service suppliers of any other Member, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and service suppliers.¹⁰

2. A Member may meet the requirement of paragraph 1 by according to services and service suppliers of any other Member, either formally identical treatment or formally different treatment to that it accords to its own like services and service suppliers.

3. Formally identical or formally different treatment shall be considered to be less favourable if it modifies the conditions of competition in favour of services or service suppliers of the Member compared to like services or service suppliers of any other Member.

⁹Subparagraph 2(c) does not cover measures of a Member, which limit inputs for the supply of services.

¹⁰Specific commitments assumed under this Article shall not be construed to require any Member to compensate for any inherent competitive disadvantages, which result from the foreign character of the relevant services or service suppliers.

Article XVIII

Additional Commitments

Members may negotiate commitments with respect to measures affecting trade in services not subject to scheduling under Articles XVI or XVII, including those regarding qualifications, standards or licensing matters. Such commitments shall be inscribed in a Member's Schedule.

PART IV

PROGRESSIVE LIBERALIZATION

Article XIX

Negotiation of Specific Commitments

1. In pursuance of the objectives of this Agreement, Members shall enter into successive rounds of negotiations, beginning not later than five years from the date of entry into force of the WTO Agreement and periodically thereafter, with a view to achieving a progressively higher level of liberalization. Such negotiations shall be directed to the reduction or elimination of the adverse effects on trade in services of measures as a means of providing effective market access. This process shall take place with a view to promoting the interests of all participants on a mutually advantageous basis and to securing an overall balance of rights and obligations.
2. The process of liberalization shall take place with due respect for national policy objectives and the level of development of individual Members, both overall and in individual sectors. There shall be appropriate flexibility for individual developing country Members for opening fewer sectors, liberalizing fewer types of transactions, progressively extending market access in line with their development situation and, when making access to their markets available to foreign service suppliers, attaching to such access conditions aimed at achieving the objectives referred to in Article IV.
3. For each round, negotiating guidelines and procedures shall be established. For the purposes of establishing such guidelines, the Council for Trade in Services shall carry out an assessment of trade in services in overall terms and on a sectoral basis with reference to the objectives of this Agreement, including those set out in paragraph 1 of Article IV. Negotiating guidelines shall establish modalities for the treatment of liberalization undertaken autonomously by Members since previous negotiations, as well as for the special treatment for least-developed country Members under the provisions of paragraph 3 of Article IV.
4. The process of progressive liberalization shall be advanced in each such round through bilateral, plurilateral or multilateral negotiations directed towards increasing the general level of specific commitments undertaken by Members under this Agreement.

Article XX

Schedules of Specific Commitments

1. Each Member shall set out in a schedule the specific commitments it undertakes under Part III of this Agreement. With respect to sectors where such commitments are undertaken, each Schedule shall specify:

- (a) terms, limitations and conditions on market access;
- (b) conditions and qualifications on national treatment;
- (c) undertakings relating to additional commitments;
- (d) where appropriate the time-frame for implementation of such commitments; and
- (e) the date of entry into force of such commitments.

2. Measures inconsistent with both Articles XVI and XVII shall be inscribed in the column relating to Article XVI. In this case the inscription will be considered to provide a condition or qualification to Article XVII as well.

3. Schedules of specific commitments shall be annexed to this Agreement and shall form an integral part thereof.

Article XXI

Modification of Schedules

1. (a) A Member (referred to in this Article as the "modifying Member") may modify or withdraw any commitment in its Schedule, at any time after three years have elapsed from the date on which that commitment entered into force, in accordance with the provisions of this Article.

(b) A modifying Member shall notify its intent to modify or withdraw a commitment pursuant to this Article to the Council for Trade in Services no later than three months before the intended date of implementation of the modification or withdrawal.

2. (a) At the request of any Member the benefits of which under this Agreement may be affected (referred to in this Article as an "affected Member") by a proposed modification or withdrawal notified under subparagraph 1(b), the modifying Member shall enter into negotiations with a view to reaching agreement on any necessary compensatory adjustment. In such negotiations and agreement, the Members concerned shall endeavour to maintain a general level of mutually advantageous commitments not less favourable to trade than that provided for in Schedules of specific commitments prior to such negotiations.

(b) Compensatory adjustments shall be made on a most-favoured-nation basis.

3. (a) If agreement is not reached between the modifying Member and any affected Member before the end of the period provided for negotiations, such affected Member may

refer the matter to arbitration. Any affected Member that wishes to enforce a right that it may have to compensation must participate in the arbitration.

(b) If no affected Member has requested arbitration, the modifying Member shall be free to implement the proposed modification or withdrawal.

4. (a) The modifying Member may not modify or withdraw its commitment until it has made compensatory adjustments in conformity with the findings of the arbitration.

(b) If the modifying Member implements its proposed modification or withdrawal and does not comply with the findings of the arbitration, any affected Member that participated in the arbitration may modify or withdraw substantially equivalent benefits in conformity with those findings. Notwithstanding Article II, such a modification or withdrawal may be implemented solely with respect to the modifying Member.

5. The Council for Trade in Services shall establish procedures for rectification or modification of Schedules. Any Member which has modified or withdrawn scheduled commitments under this Article shall modify its Schedule according to such procedures.

PART V

INSTITUTIONAL PROVISIONS

Article XXII

Consultation

1. Each Member shall accord sympathetic consideration to, and shall afford adequate opportunity for, consultation regarding such representations as may be made by any other Member with respect to any matter affecting the operation of this Agreement. The Dispute Settlement Understanding (DSU) shall apply to such consultations.

2. The Council for Trade in Services or the Dispute Settlement Body (DSB) may, at the request of a Member, consult with any Member or Members in respect of any matter for which it has not been possible to find a satisfactory solution through consultation under paragraph 1.

3. A Member may not invoke Article XVII, either under this Article or Article XXIII, with respect to a measure of another Member that falls within the scope of an international agreement between them relating to the avoidance of double taxation. In case of disagreement between Members as to whether a measure falls within the scope of such an agreement between them, it shall be open to either Member to bring this matter before the Council for Trade in Services.¹¹ The Council shall refer the matter to arbitration. The decision of the arbitrator shall be final and binding on the Members.

¹¹With respect to agreements on the avoidance of double taxation which exist on the date of entry into force of the WTO Agreement, such a matter may be brought before the Council for Trade in Services only with the consent of both parties to such an agreement.

Article XXIII

Dispute Settlement and Enforcement

1. If any Member should consider that any other Member fails to carry out its obligations or specific commitments under this Agreement, it may with a view to reaching a mutually satisfactory resolution of the matter have recourse to the DSU.
2. If the DSB considers that the circumstances are serious enough to justify such action, it may authorize a Member or Members to suspend the application to any other Member or Members of obligations and specific commitments in accordance with Article 22 of the DSU.
3. If any Member considers that any benefit it could reasonably have expected to accrue to it under a specific commitment of another Member under Part III of this Agreement is being nullified or impaired as a result of the application of any measure which does not conflict with the provisions of this Agreement, it may have recourse to the DSU. If the measure is determined by the DSB to have nullified or impaired such a benefit, the Member affected shall be entitled to a mutually satisfactory adjustment on the basis of paragraph 2 of Article XXI, which may include the modification or withdrawal of the measure. In the event an agreement cannot be reached between the Members concerned, Article 22 of the DSU shall apply.

Article XXIV

Council for Trade in Services

1. The Council for Trade in Services shall carry out such functions as may be assigned to it to facilitate the operation of this Agreement and further its objectives. The Council may establish such subsidiary bodies as it considers appropriate for the effective discharge of its functions.
2. The Council and, unless the Council decides otherwise, its subsidiary bodies shall be open to participation by representatives of all Members.
3. The Chairman of the Council shall be elected by the Members.

Article XXV

Technical Cooperation

1. Service suppliers of Members which are in need of such assistance shall have access to the services of contact points referred to in paragraph 2 of Article IV.
2. Technical assistance to developing countries shall be provided at the multilateral level by the Secretariat and shall be decided upon by the Council for Trade in Services.

Article XXVI

Relationship with Other International Organizations

The General Council shall make appropriate arrangements for consultation and cooperation with the United Nations and its specialized agencies as well as with other intergovernmental organizations concerned with services.

PART VI

FINAL PROVISIONS

Article XXVII

Denial of Benefits

A Member may deny the benefits of this Agreement:

- (a) to the supply of a service, if it establishes that the service is supplied from or in the territory of a non-Member or of a Member to which the denying Member does not apply the WTO Agreement;
- (b) in the case of the supply of a maritime transport service, if it establishes that the service is supplied:
 - (i) by a vessel registered under the laws of a non-Member or of a Member to which the denying Member does not apply the WTO Agreement, and
 - (ii) by a person which operates and/or uses the vessel in whole or in part but which is of a non-Member or of a Member to which the denying Member does not apply the WTO Agreement;
- (c) to a service supplier that is a juridical person, if it establishes that it is not a service supplier of another Member, or that it is a service supplier of a Member to which the denying Member does not apply the WTO Agreement.

Article XXVIII

Definitions

For the purpose of this Agreement:

- (a) "measure" means any measure by a Member, whether in the form of a law, regulation, rule, procedure, decision, administrative action, or any other form;

- (c) "measures by Members affecting trade in services" means
 - of
 - (i) the purchase, payment or use of a service;
 - (ii) the access to and use of, in connection with the supply of a service, services which are required by those Members to be offered to the public generally;
 - (iii) the presence, including commercial presence, of persons of a Member for the supply of a service in the territory of another Member;
- (d) "commercial presence" means any type of business or professional establishment, including through
 - (i) the constitution, acquisition or maintenance of a juridical person, or
 - (ii) the creation or maintenance of a branch or a representative office,
 within the territory of a Member for the purpose of supplying a service;
- (e) "sector" of a service means,
 - (i) with reference to a specific commitment, one or more, or all, subsectors of that service, as specified in a Member's Schedule,
 - (ii) otherwise, the whole of that service sector, including all of its subsectors;
- (f) "service of another Member" means a service which is supplied,
 - (i) from or in the territory of that other Member, or in the case of maritime transport, by a vessel registered under the laws of that other Member, or by a person of that other Member which supplies the service through the operation of a vessel and/or its use in whole or in part; or
 - (ii) in the case of the supply of a service through commercial presence or through the presence of natural persons, by a service supplier of that other Member;
- (g) "service supplier" means any person that supplies a service;¹²

¹²Where the service is not supplied directly by a juridical person but through other forms of commercial presence such as a branch or a representative office, the service supplier (i.e. the juridical person) shall, nonetheless, through such presence be accorded the treatment provided for service suppliers under the Agreement. Such treatment shall be extended to the presence through which the service is supplied and need not be extended to any other parts of the supplier located outside the territory where the service is supplied.

- (h) "monopoly supplier of a service" means any person, public or private, which in the relevant market of the territory of a Member is authorized or established formally or in effect by that Member as the sole supplier of that service;
- (i) "service consumer" means any person that receives or uses a service;
- (j) "person" means either a natural person or a juridical person;
- (k) "natural person of another Member" means a natural person who resides in the territory of that other Member or any other Member, and who under the law of that other Member:
 - (i) is a national of that other Member; or
 - (ii) has the right of permanent residence in that other Member, in the case of a Member which:
 - 1. does not have nationals; or
 - 2. accords substantially the same treatment to its permanent residents as it does to its nationals in respect of measures affecting trade in services, as notified in its acceptance of or accession to the WTO Agreement, provided that no Member is obligated to accord to such permanent residents treatment more favourable than would be accorded by that other Member to such permanent residents. Such notification shall include the assurance to assume, with respect to those permanent residents, in accordance with its laws and regulations, the same responsibilities that other Member bears with respect to its nationals;
- (l) "juridical person" means any legal entity duly constituted or otherwise organized under applicable law, whether for profit or otherwise, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association;
- (m) "juridical person of another Member" means a juridical person which is either:
 - (i) constituted or otherwise organized under the law of that other Member, and is engaged in substantive business operations in the territory of that Member or any other Member; or
 - (ii) in the case of the supply of a service through commercial presence, owned or controlled by:
 - 1. natural persons of that Member; or
 - 2. juridical persons of that other Member identified under subparagraph (i);

- (n) a juridical person is:
 - (i) "owned" by persons of a Member if more than 50 per cent of the equity interest in it is beneficially owned by persons of that Member;
 - (ii) "controlled" by persons of a Member if such persons have the power to name a majority of its directors or otherwise to legally direct its actions;
 - (iii) "affiliated" with another person when it controls, or is controlled by, that other person; or when it and the other person are both controlled by the same person;
- (o) "direct taxes" comprise all taxes on total income, on total capital or on elements of income or of capital, including taxes on gains from the alienation of property, taxes on estates, inheritances and gifts, and taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

Article XXIX

Annexes

The Annexes to this Agreement are an integral part of this Agreement.

ANNEX ON ARTICLE II EXEMPTIONS

1. This Annex specifies the conditions under which a Member, at the entry into force of this Agreement, is exempted from its obligations under paragraph 1 of Article II.
2. Any new exemptions applied for after the date of entry into force of the WTO Agreement shall be dealt with under paragraph 3 of Article IX of that Agreement.

Lists of Article II Exemptions

ANNEX ON TELECOMMUNICATIONS

1. Objectives

Recognizing the specificities of the telecommunications services sector and, in particular, its dual role as a distinct sector of economic activity and as the underlying transport means for other economic activities, the Members have agreed to the following Annex with the

objective of elaborating upon the provisions of the Agreement with respect to measures affecting access to and use of public telecommunications transport networks and services. Accordingly, this Annex provides notes and supplementary provisions to the Agreement.

2. *Scope*

(a) This Annex shall apply to all measures of a Member that affect access to and use of public telecommunications transport networks and services.¹³

(b) This Annex shall not apply to measures affecting the cable or broadcast distribution of radio or television programming.

(c) Nothing in this Annex shall be construed:

(i) to require a Member to authorize a service supplier of any other Member to establish, construct, acquire, lease, operate, or supply telecommunications transport networks or services, other than as provided for in its Schedule; or

(ii) to require a Member (or to require a Member to oblige service suppliers under its jurisdiction) to establish, construct, acquire, lease, operate or supply telecommunications transport networks or services not offered to the public generally.

3. *Definitions*

For the purposes of this Annex:

(a) "Telecommunications" means the transmission and reception of signals by any electromagnetic means.

(b) "Public telecommunications transport service" means any telecommunications transport service required, explicitly or in effect, by a Member to be offered to the public generally. Such services may include, *inter alia*, telegraph, telephone, telex, and data transmission typically involving the real-time transmission of customer-supplied information between two or more points without any end-to-end change in the form or content of the customer's information.

(c) "Public telecommunications transport network" means the public telecommunications infrastructure which permits telecommunications between and among defined network termination points.

(d) "Intra-corporate communications" means telecommunications through which a company communicates within the company or with or among its subsidiaries, branches and, subject to a Member's domestic laws and regulations, affiliates. For these purposes, "subsidiaries", "branches" and, where applicable, "affiliates" shall be as defined by each Member. "Intra-corporate communications" in this Annex excludes commercial or non-

¹³This paragraph is understood to mean that each Member shall ensure that the obligations of this Annex are applied with respect to suppliers of public telecommunications transport networks and services by whatever measures are necessary.

commercial services that are supplied to companies that are not related subsidiaries, branches or affiliates, or those are offered to customers or potential customers.

(e) Any reference to a paragraph or subparagraph of this Annex includes all subdivisions thereof.

4. *Transparency*

In the application of Article III of the Agreement, each Member shall ensure that relevant information on conditions affecting access to and use of public telecommunications transport networks and services is publicly available, including: tariffs and other terms and conditions of service; specifications of technical interfaces with such networks and services; information on bodies responsible for the preparation and adoption of standards affecting such access and use; conditions applying to attachment of terminal or other equipment; and notifications, registration or licensing requirements, if any.

5. *Access to and use of Public Telecommunications Transport Networks and Services*

(a) Each Member shall ensure that any service supplier of any other Member is accorded access to and use of public telecommunications transport networks and services on reasonable and non-discriminatory terms and conditions, for the supply of a service included in its Schedule. This obligation shall be applied, *inter alia*, through paragraphs (b) through (f).¹⁴

(b) Each Member shall ensure that service suppliers of any other Member have access to and use of any public telecommunications transport network or service offered within or across the border of that Member, including private leased circuits, and to this end shall ensure, subject to paragraphs (e) and (f), that such suppliers are permitted:

- (i) to purchase or lease and attach terminal or other equipment which interfaces with the network and which is necessary to supply a supplier's services;
- (ii) to interconnect private leased or owned circuits with public telecommunications transport networks and services or with circuits leased or owned by another service supplier; and
- (iii) to use operating protocols of the service supplier's choice in the supply of any service, other than as necessary to ensure the availability of telecommunications transport networks and services to the public generally.

(c) Each Member shall ensure that service suppliers of any other Member may use public telecommunications transport networks and services for the movement of information within and across borders, including for intra-corporate communications of such service suppliers, and for access to information contained in data bases or otherwise stored in machine-readable form in the territory of any Member. Any new or amended measures of a Member

¹⁴The term "non-discriminatory" is understood to refer to most-favoured-nation and national treatment as defined in the Agreement, as well as to reflect sector-specific usage of the term to mean "terms and conditions no less favourable than those accorded to any other user of like public telecommunications transport networks or services under like circumstances".

significantly affecting such use shall be notified and shall be subject to consultation, in accordance with relevant provisions of the Agreement.

(d) Notwithstanding the preceding paragraph, a Member may take such measures as are necessary to ensure the security and confidentiality of messages, subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on trade in services.

(e) Each Member shall ensure that no condition is imposed on access to and use of public telecommunications transport networks and services other than as necessary:

- (i) to safeguard the public service responsibilities of suppliers of public telecommunications transport networks and services, in particular their ability to make their networks or services available to the public generally;
- (ii) to protect the technical integrity of public telecommunications transport networks or services; or
- (iii) to ensure that service suppliers of any other Member do not supply services unless permitted pursuant to commitments in the Member's Schedule.

(f) Provided that they satisfy the criteria set out in paragraph (e), conditions for access to and use of public telecommunications transport networks and services may include:

- (i) restrictions on resale or shared use of such services;
- (ii) a requirement to use specified technical interfaces, including interface protocols, for inter-connection with such networks and services;
- (iii) requirements, where necessary, for the inter-operability of such services and to encourage the achievement of the goals set out in paragraph 7(a);
- (iv) type approval of terminal or other equipment which interfaces with the network and technical requirements relating to the attachment of such equipment to such networks;
- (v) restrictions on inter-connection of private leased or owned circuits with such networks or services or with circuits leased or owned by another service supplier; or
- (vi) notification, registration and licensing.

(g) Notwithstanding the preceding paragraphs of this section, a developing country Member may, consistent with its level of development, place reasonable conditions on access to and use of public telecommunications transport networks and services necessary to strengthen its domestic telecommunications infrastructure and service capacity and to increase its participation in international trade in telecommunications services. Such conditions shall be specified in the Member's Schedule.

6. *Technical Cooperation*

(a) Members recognize that an efficient, advanced telecommunications infrastructure in countries, particularly developing countries, is essential to the expansion of their trade in services. To this end, Members endorse and encourage the participation, to the fullest extent practicable, of developed and developing countries and their suppliers of public telecommunications transport networks and services and other entities in the development programmes of international and regional organizations, including the International Telecommunication Union, the United Nations Development Programme, and the International Bank for Reconstruction and Development.

(b) Members shall encourage and support telecommunications cooperation among developing countries at the international, regional and sub-regional levels.

(c) In cooperation with relevant international organizations, Members shall make available, where practicable, to developing countries information with respect to telecommunications services and developments in telecommunications and information technology to assist in strengthening their domestic telecommunications services sector.

(d) Members shall give special consideration to opportunities for the least-developed countries to encourage foreign suppliers of telecommunications services to assist in the transfer of technology, training and other activities that support the development of their telecommunications infrastructure and expansion of their telecommunications services trade.

7. *Relation to International Organizations and Agreements*

(a) Members recognize the importance of international standards for global compatibility and inter-operability of telecommunication networks and services and undertake to promote such standards through the work of relevant international bodies, including the International Telecommunication Union and the International Organization for Standardization.

(b) Members recognize the role played by intergovernmental and non-governmental organizations and agreements in ensuring the efficient operation of domestic and global telecommunications services, in particular the International Telecommunication Union. Members shall make appropriate arrangements, where relevant, for consultation with such organizations on matters arising from the implementation of this Annex.

ANNEX ON NEGOTIATIONS ON BASIC TELECOMMUNICATIONS

1. Article II and the Annex on Article II Exemptions, including the requirement to list in the Annex any measure inconsistent with most-favoured-nation treatment that a Member will maintain, shall enter into force for basic telecommunications only on:

- (a) the implementation date to be determined under paragraph 5 of the Ministerial Decision on Negotiations on Basic Telecommunications; or,
- (b) should the negotiations not succeed, the date of the final report of the Negotiating Group on Basic Telecommunications provided for in that Decision.

3. Paragraph 1 shall not apply to any specific commitment on basic telecommunications which is inscribed in a Member's Schedule

Source: Reproduced from WTO (1994) 'Annex 1b: General Agreement On Trade In Services', in The Results of the Uruguay Round of Multilateral Trade Negotiations: the Legal Texts. GATT Secretariat, Geneva.

Appendix G: Telecommunications Concessions

Service	Concessionaire	Granter	Years	Begin
PSTN – 2 million number	TA	TOT	25	1991
PSTN – 1 million number	TT&T	TOT	25	1992
Public Card Phone	AIS	TOT	10	1990
	Lenso Phone Card	CAT	15	N.A.
Cellular Telephone	AIS	TOT	20	1990
	TAC	CAT	22	1990
Paging – Paclink	Pacific Telesis/Percom Service	CAT	10/15	1986
Paging – Phonelink	Shinnawatra Paging	TOT	15	1989
Paging – PagePhone	Hutchinson Telecommunications	TOT	15	1990
Paging – Easy Call	Matrix (Thailand)	CAT	15	1990
Paging – World Page	World Page	TOT	15	1993
Paging – Post Tel	Samart Paging	PTD	20	N.A.
VSAT	Samart Telecoms	PTD	15	1988
	Compunet	PTD	15	1988
	Acumen	TOT	15	1991
	Siam Satellite Network	CAT	15/22	1992
	USAT	CAT	22	N.A.
	World Sat Corp.	CAT	22	N.A.
Trunk Mobile	Radio Phone	TOT	15	1992
	TAC	CAT	15	1992
Data Communication	Shinnawatra Datacom	TOT	10	1989
	UCOM (Mobile Data)	CAT	20	N.A.
Satellite	Shinnawatra Satellite	MOTC	30	1991
Videotex	Line Technology (Thailand)	TOT	15	1992
Telepoint (CT2)	Fonepoint (Thailand)	TOT	10	1990
Directories	Shinnawatra Directories	TOT	5	1989
Optical Fiber Network	Comlink (Thailand)	TOT	20	1990
	Jasmine Submarine Telecom	TOT	20	1991

Source: Ministry of Transport and Communications, 2000

Appendix H: Thailand Ranking

Classification of Economies by Income and Region, 1999

Asia: East Asia and Pacific					
Income Group	Low-income	Middle-income		High-income	
Subgroup		Lower	Upper	OECD	Non-OECD
	Cambodia	Fiji	American	Australia	Brunei
	China	Kiribati	Samoa	Japan	French
	Indonesia	Marshall Islands	Korea, Rep.	New	Polynesia
	Korea, Dem. Rep.	Micronesia, Fed. Sts.	Malaysia	Zealand	Guam
	Lao PDR	Papua New	Palau		Hong Kong
	Mongolia	Guinea			Macao
	Myanmar	Philippines			New
	Solomon Islands	Samoa			Caledonia
		Thailand			N. Mariana
	Vietnam	Tonga			Islands
		Vanuatu			Singapore
					Taiwan

Note: For operational and analytical purposes, the World Bank's main criterion for classifying economies is gross national product (GNP) per capita. Every economy is classified as low-income, middle-income (subdivided into lower-middle and upper-middle), or high-income. Other analytical groups, based on geographic regions and levels of external debt, are also used.

Low-income and middle-income economies are sometimes referred to as developing economies. The use of the term is convenient; it is not intended to imply that all economies in the group are experiencing similar development or that other economies have reached a preferred or final stage of development. Classification by income does not necessarily reflect development status.

This table classifies all World Bank members in Asia region with populations of more than 30,000. Economies are divided among income groups according to 1998 GNP per capita, calculated using the World Bank Atlas method. The groups are: low-income, \$760 or less; Lower-middle-income, \$761-\$3030; upper-middle-income, \$3031-\$9360; and high-income, \$9361 or more.

Source: World Development Report 1999/2000, World Bank: 290-1.

Appendix I: Thailand's Telecommunications Commitment in GATS

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons (Appendix J for definition)

Sector or Sub sector	Limitations on Market Access	Limitations on National Treatment
2. Communication Services		
C. Telecommunication Services		
j) Data base access service (Part of CPC 7523)	1) 1.1 Service providers must use public telecommunication network under national telecommunication authorities: 1.2 Radio application service is subject to frequency availability.	1) None
	2) None	2) None
	3) a) Shall be a Thai registered company with foreign equity participation not exceeding 40 per cent of the registered capital and the number of foreign shareholders must not exceed 40 per cent of the total number of shareholders of the company. b) Such company shall be permitted under the built-transferred-operated concept. c) Must use public telecommunication network under national telecommunication authorities.	3) No limitations as long as foreign equity participation does not exceed 40 per cent.
	4) As indicated in the horizontal section	4) None
n) On-line information and/or data processing services (part of CPC 843)	1) 1.1 Service providers must use telecommunication network under national telecommunication authorities; 1.2 Radio application service is subject to frequency availability.	1) None
	2) None	2) None

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub sector	Limitations on Market Access	Limitations on National Treatment
	<p>3) a) Shall be a Thai registered company with foreign equity participation not exceeding 40 per cent of the registered capital and the number of foreign shareholders must not exceed 40 per cent of the total number of shareholders of the company.</p> <p>b) Such company shall be permitted under the built-transferred-operated concept.</p> <p>c) Must use public telecommunication network under national telecommunication authorities.</p>	<p>3) No limitations as long as foreign equity participation does not exceed 40 per cent.</p>
o) Other Telecommunications equipment sales services (part of CPC 75420)	<p>4) As indicated in the horizontal section</p> <p>1) Unbound</p>	<p>4) None</p> <p>1) Unbound</p>
	<p>2) None</p>	<p>2) None</p>
	<p>3) None other than that indicated in the horizontal section.</p>	<p>3) No limitations as long as foreign equity participation does not exceed 49 per cent.</p>
	<p>4) a) As indicated in the horizontal section.</p> <p>b) Unbound for civil engineer</p>	<p>4) None</p>
Telecommunications consulting services (CPC 75440)	<p>1) Unbound</p>	<p>1) Unbound</p>
	<p>2) None</p>	<p>2) None</p>
	<p>3) None other than that indicated in the horizontal section.</p>	<p>3) No limitations as long as foreign equity participation does not exceed 49 per cent.</p>
	<p>4) a) As indicated in the horizontal section</p> <p>b) Unbound for civil engineer</p>	<p>4) None</p>

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub sector	Limitations on Market Access	Limitations on National Treatment
Videotext (part of CPC 75299)	1) 1.1 Service providers must use telecommunication network under national telecommunication authorities; 1.2 Radio application service is subject to frequency availability.	1) None
	2) None	2) None
	3) a) Shall be a Thai registered company with foreign equity participation not exceeding 40 per cent of the registered capital and the number of foreign shareholders must not exceed 40 per cent of the total number of shareholders of the company. b) Such company shall be permitted under the built-transferred-operated concept by national telecommunication authorities.# c) Must use public telecommunication network under national telecommunication authorities. d) Selection of service providers shall be based on open tender.	3) No limitations as long as foreign equity participation does not exceed 40 per cent.
	4) As indicated in the horizontal section.	4) None
Teleconference (part of CPC 75292)	1) 1.1 Service providers must use telecommunication network under national telecommunication authorities; 1.2 Radio application service is subject to frequency availability.	1) None
	2) None	2) None

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub sector	Limitations on Market Access	Limitations on National Treatment
	<p>3) a) Shall be a Thai registered company with foreign equity participation not exceeding 40 per cent of the registered capital and the number of foreign shareholders must not exceed 40 per cent of the total number of shareholders of the company.</p> <p>b) Such company shall be permitted under the built-transferred-operated concept by national telecommunication authorities.#</p> <p>c) Must use public telecommunication network under national telecommunication authorities.</p> <p>d) Selection of service providers shall be based on open tender.</p>	<p>3) No limitations as long as foreign equity participation does not exceed 40 per cent.</p>
	<p>4) As indicated in the horizontal section.</p>	<p>4) None</p>
	<p>1) 1.1 Service providers must use telecommunication network under national telecommunication authorities;</p> <p>1.2 Radio application service is subject to frequency availability.</p>	<p>1) None</p>
	<p>2) None</p>	<p>2) None</p>

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub sector	Limitations on Market Access	Limitations on National Treatment
	<p>3) a) Shall be a Thai registered company with foreign equity participation not exceeding 40 per cent of the registered capital and the number of foreign shareholders must not exceed 40 per cent of the total number of shareholders of the company.</p> <p>b) Such company shall be permitted under the built-transferred-operated concept by national telecommunication authorities.#</p> <p>c) Must use public telecommunication network under national telecommunication authorities.</p> <p>d) Selection of service providers shall be based on open tender.</p>	<p>3) No limitations as long as foreign equity participation does not exceed 40 per cent.</p>
	4) As indicated in the horizontal section.	4) None

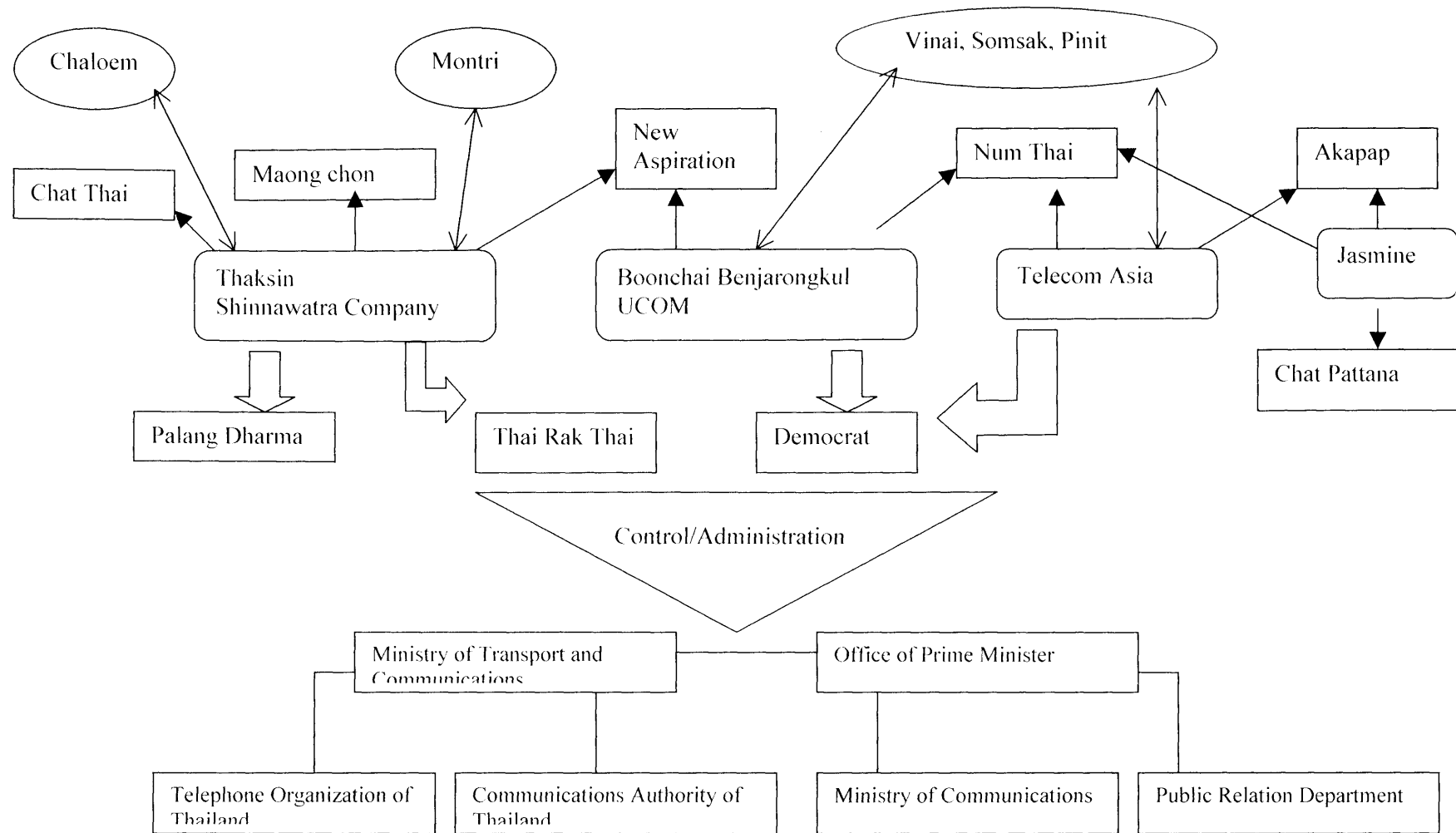
#?This condition will be applied for at least 10 years

SOURCE: Ministry of Commerce, Thailand, 1996.

Appendix J: Trade in Telecommunications Services

Mode of Service Delivery	Example for Telecommunications	Significance for Telecommunications
Cross-border	Basic international traffic for voice telephony, telex, X.23, etc. International Value-added Network services	Cross-border trade in dominant made of telecommunications traffic.
Establishment of business operations	Foreign-owned company offering national and international telecommunications service from within country.	Growing importance as market access and foreign ownership restrictions are lifted and infrastructure competition is permitted.
Movement of customers	Roaming agreements for mobile operations (e.g.. GSM). Calling card and city-direct services.	Growing importance, particularly if global mobile satellite services are established.
Movement of labour	Build-operate-Transfer (BOT) schemes, training and other consultancy operations.	Minor importance except as an add-on service to telecommunications equipment contracts.

Appendix K: Business Group – Political Party Relations



Refers to direct involvement. For example, Thaksin was a leader of Palang Dharma Party and owns Thai Rak Thai Party. Boonchai was a candidate for Demoncrat Party.

Appendix L: Interviewees

Interviewees	Date of Interview	Area of Involvement
Dr. Duenden Nikomborirak TDRI	31 October 1999 21 June 2000	Dr Duenden is a research director (economic governance). She was in a research group giving governments consultation on various aspects related to telecommunications industry, including concession conversion.
Sudharma Yoonaidharma Assistant Prof. At Law Faculty	28 June 2000	Assistant Prof. Sudharma specializes in policy analysis. He was one of the Chatichai's PM Advisors.
Dr. Somkiet Tankitvanitch TDRI	21 June 2000 10 January 2002	He is a research director (information economy). His research includes Telecommunications Laws. Telecommunications markets as well as the development of the Internet in Thailand.
Dr Kanchana Kachanasut Asian Institute of Technology	28 September 1999 (Emailing Interview)	She was a pioneer in setting up the Internet backbone for academic use in Thailand.
Noppanat Hutacharoen TOT	7 July 2000	Mr Noppanat is an Assistant Vice President at the International Telecommunications Department, the Telephone Organization of Thailand. He participated in both GATS Negotiation Committee and the privatization programme of the Telephone Organization of Thailand.
Nualnapa Tiancharoen MOTC	21 August 1999	Mrs Nualnapa is a Director of Programme and Budget Division, Programme and Planning Bureau. She was dealing with implementation of telecommunications Master Plan.
Dr. Pallapa Ruangrong Office of State Enterprise and Government Securities, MOF	20 August 1999	Dr. Pallapa is in a committee responsible for evaluation and implementation of privatization plan, national telecommunications committee section plan and concession conversion plan.

Pansak Srisap TOT	7 July 2000	Mr Pansak is a Senior Director at the International Telecommunication Strategy and Development Sector. He participated in both GATS Negotiation Committee and the privatization programme of the Telephone Organization of Thailand.
Poomchai Angsanant NESDB	27 June 2000	Mr Poomchai works for the Telecommunications Infrastructure Plan, the National Economic and Social Development Board.
Sansern Wongcha-um NESDB	27 June 2000	Director of the National Economic and Social Development Board. He was actively in the telecommunications liberalization policy and economic liberalization.
Senior Engineer CAT	13 October 1999	This Senior Officer asked not to be named. He works at the Telecommunication Planning Division, the Communications Authority of Thailand. He sat in the committee evaluating the Telecommunications Master Plan 1997-2006.
Setaporn Kusripitak PTD	21 October 1999	Mr Setaporn was a head of Telecommunications Law Making Committee, responsible for revising all telecommunications-related laws and regulations as well as drafting the new telecommunications law.
Dr Srisook Chandrangsu CAT	13 October 1999	Dr Srisook was a Director of the Communications Authority of Thailand.
Dr. Thaweesak Koanantakool NECTEC	20 June 1999 (Emailing Interview)	Dr. Thaweesak was a head of IT Planning committee. He was also a Deputy Director of National Electronics and Computer Technology Center.

Dr. Koson Petchsuwan TCT	7 July 2000	Dr Koson is a Vice President of the Telecommunications Association of Thailand.
Dr. Boonkee Plangsiri Shinnawatra group	11 July 2000	Dr Boonkee is a Chief Executive of Shinnawatra group.
Dr Kanokwan Vongwattanasin KSC	30 September 1999 (One-Hour Telephone Interview)	Dr Kanokwan was a Director of KSC. One of the first Internet provider in Thailand.
Dr. Sriphumi Sukhanetr UCOM	10 July 2000	Dr Sriphumi is a Chairman of the United Communication Industry.
Dr. Vollobh Vimolvanich TelecomAsia	18 July 2000	Dr Vollobh is a Chairman of Telecom Asia.
Vivatvong Vichit-vadakan Loxley	4 July 2000	Mr Vivatvong is a Chief Executive of PointAsia.com. An E-Commerce company in Loxley Group.

Note: All interviews took place in respondents' offices. Each interview section lasted two hours and tape-recorded, or indicated otherwise.

Appendix M: Interview Questions

Date 9 August - 28 October 1999 and 15 June - 18 July 2000

Liberalization of telecommunications industry in Thailand

The main purpose of interview was to seek answers to three main categories as following

- A. The Role of Private Enterprises in telecommunications industry and the 'free market' competition.
- B. The relevance of the Thai Telecommunications law and regulations.
- C. The Role of the state in telecommunications industry and legitimacy.

Each interviewee was asked similar questions as following

1. What do you think are the roles of private enterprises in developing telecommunications industry?
2. Are private enterprises happy with their present role on telecommunications market? The 'role' means to obtain concession from the government as a part of competition. Or do private enterprises need the 'free trade' on the market?
3. You also mentioned the 'free market'. What do you mean by that?
4. We are talking about liberalization of the industry here. What do you mean by that and how can we approach it?
5. To what extent the legitimacy of the state on telecommunications industry should be maintained after abolishing monopoly?
6. What is the perceived relationship between the state and private enterprises at a present time? To what extent liberalization will change this relationship?
7. Regarding international market, to what extent the international telecommunications market have an impact on Thai telecommunications industry? How liberalization can help our local businesses to compete at international level?
8. Do you, private enterprises, group up to have more bargain power?
9. Could you describe Thai Internet market? Do we have the model for development?
10. To what extent the government helps promoting the market?
11. Are we ready for liberalization of the market? Does this imply a participation between the government and the private businesses?
12. Talking about policy, Is KSC's policy affected by the politic?
13. What are the barriers for the development of the Internet?
14. What major developments do you anticipate in the telecommunications market?
15. What should be the first three key issues in the near future?
16. The planning of the reform started in 1994 (although the idea was around since 1988), however we still do not have the Master plan yet. What are the obstacles in Telecommunications Master Plan- policy making? (Note that the fourth attempt was rejected by the Cabinet in March 2000)

17. To what extent the present communication laws hinder the development of telecommunications market?
18. What changes do we need to update them?
19. What is the role of government on the development of telecommunications?

General Policy

20. How does the CAT/TOT take part in telecommunications development?
21. Since the CAT/TOT has to run all the 'tele' communications related businesses, can I say that the CAT/TOT is acting as a promoter, a regulator, and a policy-maker? In doing so, what difficulties does the CAT/TOT face?
22. I understand that this is to say you all have to co-operate on the regulation and policy-making matters. How can the CAT/TOT co-operate then?
23. If CAT/TOT's policy has to be in line with the MOTC and the national policy, how does CAT/TOT go about formulating its policy?
24. What are main policies of CAT/TOT?
25. To what extent has a national communications network been established in Thailand to serve the diversified population and to help achieve national development?
26. How far CAT/TOT is intervened, on the decision-making, from
 - (a) politics
 - (b) markets
27. You mentioned about privatization and liberalization of telecommunications industry. Where does this idea come from?
28. What are the CAT/TOT roles in supporting the process of liberalization?
29. To what extent liberalization will have an impact on CAT/TOT?
30. After CAT/TOT is privatized, Will CAT/TOT still act as a regulator and a promoter?
31. How can liberalization bring improved telecommunications services for the local industry? That means the telecommunications industry is charged with specific goals for improvement as well as regulating the behaviour of competitions?
32. With more players coming into the local telecommunications industry, how do you view CAT/TOT as an organization? What difficulties will be envisaged increasing new players into the market despite the inherited marked advance of CAT/TOT?
33. You mentioned the active role of CAT/TOT on the Internet industry in many cases, what is the general role of CAT/TOT in the Internet industry?
34. To what extent CAT/TOT promote the development of Internet services?
35. On the concession contracts, it is stated that CAT will hold 32 percent of each ISP share and CAT will have representatives on the board of executive of each ISP. Does it mean that CAT have a power to intervene in all ISPs concessionaires?
36. What is the perceived relationship between telecommunications and economic and social development? What are the major parameters for a telecommunications strategy for Thailand?

37. Asking why it is important for the government to know their role, especially at this time if they never know their role?

38. Given that we are preparing for liberalization of the telecommunications sector

(a) What should be the first key regulatory issues in the near future?

(b) What the most important further arrangements would help the regulators to deal effectively with the challenges regulating all interest groups in telecommunications?

Obstacles

i. crash between anti-reform and pro-reform on privatization and liberalization

ii crash among major stakeholders on converting existing concessions

39. There are a number of issues to be considered in the converting existing concessions. For example, the term 'state' has to be clearly defined. Who are the state?

Could you discuss the notion (from the draft of TMP) that:

40. 'Converting concessions should be in line with liberalization'.

41. 'Viability of private enterprise'.

42. 'Level Playing Field'.

43. 'Return ownership of telecommunications infrastructure from the BTO scheme to private enterprise'.

44. 'Timeframe of the establishment of privatization, regulatory reform, establishment of the NTC and concession conversion'.

In terms of state monopoly:

45. What are advantages and disadvantages of the state monopoly of telecommunications industry?

46. To what extent the GATT agreement affect the state monopoly?

47. What are the ideal anti-Monopoly if the monopoly is to be abolished?

48. To what extent the legitimacy of the state on telecommunications industry is to be maintained after abolishing monopoly?

49. What are the issues concerning the concessionaires of the BTO scheme?

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