External commercial policy making in Thailand: actors and interests in Thai–EU relations

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External Commercial Policy Making in Thailand:
Actors and Interests in Thai-EU Relations

by

Unyanee Mooksombud

Master's Thesis
Submitted in partial fulfilment of the requirements
for the award of
Master's of Philosophy of Loughborough University
24 July 2008
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Abstract

This thesis focuses on the making of Thailand's external commercial policies, with particular reference to policies towards the European Union (EU). As an emerging country in the global political economy, it is to be expected that Thailand's external relations have a strong emphasis on commercial policies. However, the current literature on Thailand's external relations places a strong emphasis on foreign policy goals and the promotion of Thai national interests through diplomacy, even where the key goals pursued are those of economic advantage. This thesis is designed to take a broader view of Thailand's external commercial policy-making, and to consider a wide range of potential contributors to the policy process.

The thesis thus explores the workings of the Thai state (both the political dimension of government and the bureaucracy of the Civil Service), but also goes on to examine the roles of private companies and of Private Consultative Committees in the commercial policy-making process. It does this by establishing an initial analytical framework (in Chapter 1) drawing on ideas of corporatism, and on the accompanying concepts of interest aggregation and interest intermediation, since this is seen as a promising way of exploring the commercial policy-making process. It is argued that Thailand's style of external commercial policy-making might be expected to reflect corporatist processes entailing the use of interest mediation, giving an active role to firms and interest groups, in order to reach a negotiated external commercial policy.

Having established this initial position, the thesis then goes on (Chapter 2) to explore the evolution of relations between Thailand and the EU, and to assess the challenges posed by the EU for Thai commercial policies. These challenges are partly at the state level, involving the use of national strategies to respond, and partly at the level of firms and commercial interest groups who need to gain information about and access to the EU marketplace. In Chapters 3 and 4, the thesis provides a more detailed study of the ways in which the state (Chapter 3) and private commercial interests (Chapter 4) have responded to the challenges posed by relations with the EU. This analysis is based largely on the material gathered through a set of interviews with state and private sector
representatives during fieldwork in Bangkok, and focuses especially on a number of agriculture and food-related sectors.

The Conclusion of the thesis brings together the findings from the empirical investigation, and reviews the evidence for the corporatist model. The thesis finds that Thai external commercial policy reflects two levels of interactions. The primary level is the 'state to firm' level, whilst the secondary level reflects interactions firstly between firms and Private Consultative Committees and secondly between the state and PCCs. As a result, the active intermediation of commercial interests and the involvement of interest groups seems to be at a low level, and the corporatist framework is only partly supported. The thesis then argues that the findings seem to indicate a process of external commercial policy-making based on collusion between government and major companies instead of corporatism and interest intermediation, and thus that a 'clientelist' model might be more appropriate as a means of analysing Thai external commercial policy-making.
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</thead>
<tbody>
<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific states</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association Of Southeast Asian Nations</td>
</tr>
<tr>
<td>ASEM</td>
<td>The Asia Europe Meeting</td>
</tr>
<tr>
<td>CP</td>
<td>Cheur Charon Phokkapun</td>
</tr>
<tr>
<td>EC</td>
<td>European Communities</td>
</tr>
<tr>
<td>EFTA</td>
<td>European Free Trade Association</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>FTI</td>
<td>The Federation of Thai Industries</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GPE</td>
<td>Global Political Economy</td>
</tr>
<tr>
<td>GSP</td>
<td>Generalised System of Preference</td>
</tr>
<tr>
<td>IFPI</td>
<td>The International Federation of the Phonographic Industry</td>
</tr>
<tr>
<td>IPE</td>
<td>International Political Economy</td>
</tr>
<tr>
<td>MFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>MOA</td>
<td>Ministry of Agriculture and Cooperatives</td>
</tr>
<tr>
<td>MOC</td>
<td>Ministry of Commerce</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MOI</td>
<td>Ministry of Industry</td>
</tr>
<tr>
<td>NGO</td>
<td>non-governmental organisation</td>
</tr>
<tr>
<td>NTB</td>
<td>Non Tariff Barrier</td>
</tr>
<tr>
<td>PCC</td>
<td>Private Consultative Committees</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Sized Enterprises</td>
</tr>
<tr>
<td>TBA</td>
<td>Thai Banker's Association</td>
</tr>
<tr>
<td>TCC</td>
<td>Thai Chamber of Commerce</td>
</tr>
<tr>
<td>WEEE</td>
<td>Waste Electrical and Electronic Equipment</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
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Introduction

Thailand has had a long modern history of being an export-oriented country, depending on exports to sustain the economy in general. This has traditionally been in the area of unprocessed agricultural products, although in the past ten years, textiles and electronic components have also become a major part of Thailand’s exports. It is surprising that external commercial policy has never been the platform for any politicians’ campaigns. Exporting firms are also quiet about external commercial policy, with most of them out of the news analysis, and just getting on with their company’s goal of increasing exports to existing customers and expanding new markets. If a mechanism for the interaction between the Thai state and Thai firms exists, it is very difficult to see.

The main purpose of this thesis is to find out who the main actors are in Thai external commercial policy, how policy is made, and how the main actors interact with each other in order to make external commercial policies. Consequently, this research will examine Thailand’s external commercial policy history to explain trends in how Thai external commercial policy is created, how effective it has been, and if problem solving mechanisms really exist.

Chapter 1 of the thesis sets the framework for the later empirical analysis. At this stage of the argument, the theory of corporatism is used as an analytical framework. Corporatism makes use of the argument that firms who are acting in correspondence with interest groups can influence the government into a particular negotiated policy direction. Chapter 1 also provides background on Thailand’s external commercial policies, in order to show the potential for a corporatist analysis. It is argued that the three main actors in the Thai external commercial policy process are the Thai state, Thai firms, and Thailand’s various Private Consultative Committees. In chapters 2-4 of the thesis, this argument is subjected to empirical investigation, first focusing on the Thai-EU relationship, then looking more closely at the role of the Thai government and finally exploring the role of the private sector, represented by individual firms and by Private Consultative Committees. Finally, corporatism as an analytical framework is reviewed. The main conclusion of the thesis is that Thailand’s external commercial policy reflects
the collusion of the Thai state and Thai firms, and mostly neglects the mediation role which Thai private consultative committees provide. Thus, it may more appropriately be described in terms of clientelism than those of corporatism proposed at the beginning of the thesis.

The thesis is divided into four chapters following these stages of argumentation. Chapter 1 examines Thailand’s role in the global political economy and discusses how Thailand’s commercial policy is closely linked to Thailand’s national interest. This means that commercial policy is an extremely important issue for Thailand’s economic survival. Chapter 1 later links the role of Thai states and Thai firms to the theory of the corporatism and makes the argument that Thai firms have becoming increasingly important in Thailand’s external commercial policy-making. Corporatism is used as a conceptual framework to help in understanding how Thai commercial policies are concluded, especially as concerns the role of interest intermediation between the major actors.

Chapter 1’s role is also to propose the Thai-EU trade partnership as a way to understand Thai commercial policy-making. The EU is a complex and unprecedented transgovernmental actor, which creates many difficult challenges to Thai external commercial policy-making. Although it is complex, the EU has some very clear policy-making procedures and a very solid institutional structure which makes the analysis of its interaction with Thai actors visible. There are arguments which say that these institutions and policy-making processes make the EU a difficult partner. The area of analysis for this research to ask if Thai policy actors feel that the EU is a difficult partner and if they do, why they feel that way. Areas for major challenges are expected to include how Thai actors understand the EU and its institutions, several visible and invisible trade barriers the EU may present to outsiders, and how the EU’s complexity of policy-making procedures affects Thailand.

Chapter 2 provides context for the subsequent analysis of the Thai-EU commercial relationship and provides an examination of the partnership’s development from 1969 to 2005. This provides a historical context which starts from the period when Thailand’s economy was still in its beginning stages, and when Thailand’s first steps in the global political economy were being made. This first stage was when Thailand’s
formal economic partnership with the European Community was established, both on a bilateral basis and an interregional basis (in the form of the EC-ASEAN agreement). This led on to the second period, when Thailand’s economy began to grow very fast and trade frictions between the EC and Thailand were becoming a more visible problem. The final stages made in this analysis are the periods during the Asian economic crisis, and the effects of the Asian economic crisis until 2005-2006. This final stage has been important in defining Thailand’s partnership with the EU, and Thailand’s actors and commercial policy making processes were becoming more sophisticated.

Chapter 3 draws on the background as provided in Chapter 2 and closely examines the Thai state and its role in the commercial policy making process. The purpose of this chapter is to see how the various actors in the Thai state have interacted, and how the delegation of power in the Thai state works. Chapter 3 firstly examines the Thai government, who are responsible for external trade policies in the broader picture. The third Chapter then examines the role of the Thai civil service, with a very strong focus on the Ministry of Foreign Affairs and the Ministry of Commerce, the two units which are considered to be the most important state actors in Thai external commercial policy making. The roles of some other more technical ministries such as the Ministry of Industry and the Ministry of Agriculture are also mentioned. This Chapter concludes with a case study of the Thai-EU Shrimp Battles as an example of the interaction which Thai state policy makers consider to have been a successful case of its commercial interaction towards the EU.

The main argument which is developed in Chapter 3 is that the Thai civil servants are the group of actors which are in strongest control of Thai external commercial policy. Although the government provides some broad guidelines, the MFA and the MOC generate policies on their own and engage in negotiations with the EU, usually unsupervised by the government. This, however, still causes problems. The MFA has been seen as lacking technical expertise as well as lacking sufficient staff, while the MOC’s technical orientation means that they lack contacts and do not receive sufficient information about the channels of contact which exist and are crucial. This makes it difficult for optimal policies to be introduced.
Chapter 4 examines the role of the Thai private sector in greater detail and considers two more actors: the Private Consultative Committee and firms. It first analyses the importance of the Thai private sector in the external commercial policies and later examines the strategies the respective private sector actors use to interact with the EU. This Chapter also argues that there are two levels of policy coordination: the primary relationship, which is between firms and the government, and the secondary relationships which include those of ‘firm to private consultative committee’ and ‘private consultative committee to government’. These relationships shape the direction of Thai commercial policy making and are critical to our understanding of how Thai external commercial policies are created.

The main argument in Chapter 4 is that large Thai firms are extremely crucial actors in the Thai policy-making process, while the Private Consultative Committees and small and medium enterprises are not very important and influential in the process. Also important is the primary relationship between the firms (particularly large firms) and the government, because this is where most of Thailand’s commercial policies are made. The secondary relationships exist to act as a supporting mechanism to the primary relationship. This finding is important because it puts into perspective the unequal power of Thai actors, where the Thai state and large Thai firms are most important, followed by smaller firms. The role of the Private Consultative Committees, which was expected to be important, is seen as a supporting mechanism to the rest of the policy process.

The Conclusion analyses two important issues generated by the discussion in the substantive chapters. The first question presents the issue of effectiveness. Firstly, the Conclusion examines the effectiveness of Thai actors in the Thai-EU commercial relations. The analysis and comparison of the Thai state, Thai firms, and private consultative committees are made to determine how effective they are in the history of Thai-EU commercial relations. Secondly, the Conclusion analyses the effectiveness of the Thai policy-making process. In other words, this section determines if the process has been an obstacle to effective policy-making. This relates to analysis of the interaction in the various relationships between Thai actors as mentioned in the previous chapters.

The Conclusion also comes back to the analytical framework of corporatism and considers how it may be inadequate for the analysis of Thai external commercial
partnerships. Corporatism makes the assumption that actors mediate their interests within the society and that actors can be treated equally and fairly. The analysis in the substantive chapters notes how Thai actors are actually unequal to each other and that instead of interest mediation, there recently appears to have been a process of interest collusion between the Thai state and certain firms. The conclusion shows the inadequacy of corporatism as a single conceptual framework and proposes clientelism as an additional conceptual framework for the analysis of Thai external commercial policy-making.

Throughout the chapters, this research uses both primary and secondary sources to construct knowledge of the Thai commercial policy-making process. As mentioned previously, the main purpose of this research is to find out who are the key actors in Thai external commercial policy, how policy is made, and how the main actors interact with each other to make external commercial policies. In order to achieve this goal, it was important to know both what the context of Thai external commercial policy is, and to know how the actors think in detail. In this research, this was achieved through a combination of journals and publications, newspaper articles, and a large number of elite interviews with the main actors in Thai external commercial policy-making.

Chapters 1 and 2 of this research make use of secondary sources as well as primary sources such as official documents from the MFA and the MOC. These two chapters, which are primarily historical and contextual in nature, also draw on newspapers and research produced in Thailand from several universities and institutions as well as the Thailand Development Research Institute (TDRI). Most of the primary and secondary resources are Thai, which fits with this research's perspective of viewing the process from a Thai frame of reference. Secondary resources are from academic articles on the EU, and have been used to analyse the EU's institutions and policy-making processes.

Chapters 3 and 4 are based mostly on elite interviews. In the process of this research, 45 interviews were conducted with government officials, high-ranking civil servants, important private consultative committee members, and management position firm officers. In the government sector, extensive interviews were conducted with civil servants at the MFA and the MOC. The interviews with members of Private Consultative
Committees included those conducted with the Thai Banker's Association, Industrial Association Federation, and the Thai Chamber of Commerce. The firms used for this analysis include the Charoenphokapand Group (CP Group), Pak Food Company, and Sanguanwong Starch Group, all firms that export to the EU but which have different levels of export performance and different levels of power in Thai politics. The interviews followed a guideline set of questions which can be found in the Appendix to this thesis.

This combination of primary and secondary sources and elite interviews has highlighted some very important ideas about Thai external commercial policy-making. I hope that this research will provide further insights into Thai external commercial policies, particularly concerning the nature of the main actors, the interaction between them, and the efficiency of the Thai policy making process.
Chapter 1

Analysing Thai External Commercial Policy-making

Introduction

Thai external commercial policy-making is key to Thailand’s survival because the country depends very heavily on exports to sustain a developing economy. Most current research on Thai international political economy pay a lot of attention to the role of the government in carrying out trade policy, but pay very little attention to other actors in the policy-making process. In the modern political economy, other actors such as firms and non-state organizations also have an important role. As a consequence, the Thai external commercial policy-making process has become much more mature, more complicated, and has more to it than meets the eye.

The purpose of this research is to explore how Thai external commercial policies are made and what the relationships between the most important Thai policy-makers are. The research examines the traditional role of the state, but later offers more analysis from first hand interviews with other policy-makers such as those from firms and private consultative committees. The role of the state in making external commercial policies is also clearly divided into the political side and the bureaucratic side, which are significantly different. To give a clear picture of Thai external commercial policy-making as a whole, this research analyzes the process in the context of Thailand’s external commercial policy-making towards the European Union (EU). The research first gives a general picture of the history of Thailand’s relationship with the EU. Later, the Thai-EU relationship is examined in detail through first hand interviews with policy-makers as well as primary and secondary sources.

In order to establish a strong foundation and an analytical framework for the analysis of the Thai-EU relationship, this chapter will firstly discuss Thailand’s role in the global political economy. The first section will thus explore how Thai policy-makers perceive commercial policy as a focus of national interest. This is pursued at the bilateral
level, at the regional level (ASEAN), and at the multilateral level (WTO). The argument in this section is that Thailand creates commercial policies almost entirely in pursuit of national interest and sovereignty, and that this shapes the direction of policy.

The second section aims to analyse the role of states and firms and their interaction in Thailand’s external commercial policy-making process. While the role of the state is expected to be extremely significant given Thailand’s status as a developing country, Thailand’s modern political economy means that there may be a place for the role of firms too. This section will relate to literatures on liberal corporatism. It will be argued that policy reflects the way in which the state, firms, and interest groups may agree together behind the scenes and go through a political exchange process while still engaging in interest intermediation. This raises the question that, in Thailand’s policy-making process, firms may have a role in influencing the state through several channels, including through interest groups. On the other hand, the state could also become a facilitator for firms in their commercial policy-making process.

The third section of this Chapter justifies the use of the EU as a case study of Thailand’s external trade policy-making by taking a closer look at the EU side of the relationship and discussing how the EU uses its commercial power to exercise influence within the global political economy. The trade and economic relations between Thailand and the EU point towards a strong disparity between Thailand and the EU in terms of economic strength. It is important to point out that the Thai-EU political relationship is also unremarkable, with Thailand playing at best an important role in the Association of Southeast Asian Nations. This is in significant contrast to the EU’s well-documented global economic power as well as its growing political influence. The disparity between Thailand and the EU as concerns economic power might be expected to present some important challenges for Thailand’s external trade policy-making process, especially with regard to negotiations and conflict resolution methods.

The fourth section of the chapter discusses in greater detail the EU institutions and policy-making, including a discussion of the major challenges Thai policy-makers faces as regards the EU’s unique nature. The section will include a necessary analysis of the EU’s global economic power, main EU actors and policy-makers in the EU’s external relations, and an examination of the EU’s dominating interests in the IPE. Once again,
the EU's institutions and policy-making process make the EU a particularly interesting case study through which to explore commercial policy-making in Thailand because it focuses attention on how Thai policy-makers might try to cope and adjust with the EU's overall uniqueness and complexity.

The conclusion to this chapter explores the possibility that there is complex interaction between Thai firms and the Thai state in Thailand's commercial dealings with the EU, contrasting with the state-centred approach advanced in the early parts of the chapter. This conclusion also asks whether and in what ways the Thai state and Thai firms may be acting as partners in this commercial relationship, and further advances the possibility that Thai firms may act on their own initiative in pursuing their corporate objectives in Thai-EU commercial relations.

**Thailand in the Global Political Economy**

One of the most obvious features of Thailand's role in a global political economy is how small its economy is, particularly when one excludes its significance through ASEAN. A study of Thai external commercial policy with the developed world is a study in trade imbalance and inequality of status, and understanding the trading mentality of the smaller partner is absolutely necessary. Thailand is a developing country in South-east Asia with GDP per capita of $9200USD ranked 68th in the ranking of 194 countries GDP per capita (Bank of Thailand 2006), 19th in Asia and 3rd in Southeast Asia after Singapore and Malaysia respectively (International Monetary Fund, Document: 2006).

Thailand's GDP depends heavily on exports. In 2000-2006, Thailand exported over 50% of its GDP and the most important export products of Thailand are electronic parts and agricultural products. More than 60% of the labour force is employed in agriculture. Agricultural products, therefore, can be identified as sensitive products in exports, giving rise to a range of trade disputes and also becoming the centre of a range of government schemes. Thailand is also one of the most important food exporters in the world, exporting in the year 2000-2002 products valued at $10.65 billion, $11.07 billion, $9.94 billion respectively as shown in the following table.
TABLE 1.1: WORLD FOOD EXPORT BY COUNTRY 2000-2002 (International Trade Statistics 2003, WTO)

World Food Export by Country 2000-2002

<table>
<thead>
<tr>
<th>Destination</th>
<th>Value (Billion Dollars)</th>
<th>Growth Rate (%)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Union</td>
<td>180.38</td>
<td>182.98</td>
<td>195.95</td>
</tr>
<tr>
<td>USA</td>
<td>54.04</td>
<td>53.86</td>
<td>52.89</td>
</tr>
<tr>
<td>Canada</td>
<td>17.63</td>
<td>19.18</td>
<td>18.75</td>
</tr>
<tr>
<td>China</td>
<td>13.56</td>
<td>14.22</td>
<td>16.16</td>
</tr>
<tr>
<td>Thailand</td>
<td>10.65</td>
<td>11.07</td>
<td>9.94</td>
</tr>
<tr>
<td>Mexico</td>
<td>8.11</td>
<td>8.14</td>
<td>8.03</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.08</td>
<td>2.77</td>
<td>2.85</td>
</tr>
<tr>
<td>Korea, Rep. of</td>
<td>2.66</td>
<td>2.52</td>
<td>2.46</td>
</tr>
<tr>
<td>Japan</td>
<td>2.17</td>
<td>3.66</td>
<td>2.21</td>
</tr>
<tr>
<td>Others</td>
<td>139.63</td>
<td>139.60</td>
<td>159.16</td>
</tr>
<tr>
<td>World</td>
<td>431.91</td>
<td>437.40</td>
<td>468.40</td>
</tr>
</tbody>
</table>

Reference: International Trade Statistics 2003, WTO

Given its relatively subordinate position, Thailand cannot use its commercial and economic power to provide itself with a better negotiating position, set ideas and agendas for the global political economy, or use normative power to increase its political role in the global political economy. Nonetheless, as noted above, trade is one of the key economic aspects in Thailand’s growth and the citizens’ well-being and is inevitably one of the top priorities of any government.

The purpose of this section is to show the relative size of the Thai economy and how Thailand manages its growth by using trade policy through Thailand’s position in the global political economy. This section will focus on the issue of how Thai policy-makers perceive external commercial policy-making and make it accord to national interest. This is an extremely important point in understanding Thai external commercial policy-making as well as the Thai-EU commercial partnership and the review given here intends to make a framework to establish the basis for a policy evaluation. Main Thai policy-makers see commercial policy as crucial to national interest, and this strongly affects the manner which external commercial policy is created. In this section, this idea
is analysed at the bilateral level, the regional level (ASEAN), and the multilateral level (WTO). At each of these levels, the perception of commercial policy as national interest affects the attitude of key Thai actors in external commercial policy-making.

**A ‘State-Centred’ Approach: Thai Commercial Policy as National Interest**

A study from the Faculty of Economics, Kasetsart University, (following table) showed that in 2006, Thai exports added up to 63.17% of Thailand’s total GDP. This figure has gradually increased in the past more than years, from just 29.73% of Thailand’s total GDP in 1993 (Kasetsart University 2006).

**TABLE 1.2 : Thailand Export per GDP**
(Kasetsart University : Faculty of Economics 2006).

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade value</th>
<th>export</th>
<th>% of Export per GDP</th>
<th>import</th>
<th>Trade balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>2,111,709.0</td>
<td>940,862.6</td>
<td>29.73</td>
<td>1,170,846.4</td>
<td>-229,983.8</td>
</tr>
<tr>
<td>1994</td>
<td>2,506,862.0</td>
<td>1,137,601.6</td>
<td>31.34</td>
<td>1,369,260.4</td>
<td>-231,658.7</td>
</tr>
<tr>
<td>1995</td>
<td>3,169,901.4</td>
<td>1,406,310.1</td>
<td>33.59</td>
<td>1,763,591.3</td>
<td>-357,281.2</td>
</tr>
<tr>
<td>1996</td>
<td>3,243,864.5</td>
<td>1,411,039.3</td>
<td>30.60</td>
<td>1,832,825.2</td>
<td>-421,785.8</td>
</tr>
<tr>
<td>1997</td>
<td>3,730,945.1</td>
<td>1,806,681.9</td>
<td>38.13</td>
<td>1,924,263.1</td>
<td>-117,581.2</td>
</tr>
<tr>
<td>1998</td>
<td>4,022,155.8</td>
<td>2,248,089.4</td>
<td>48.59</td>
<td>1,774,066.4</td>
<td>474,023.1</td>
</tr>
<tr>
<td>1999</td>
<td>4,121,639.3</td>
<td>2,214,248.6</td>
<td>47.75</td>
<td>1,907,390.6</td>
<td>306,858.1</td>
</tr>
<tr>
<td>2000</td>
<td>5,262,197.9</td>
<td>2,768,064.7</td>
<td>56.23</td>
<td>2,494,133.1</td>
<td>273,931.7</td>
</tr>
<tr>
<td>2001</td>
<td>5,633,665.5</td>
<td>2,884,703.8</td>
<td>56.19</td>
<td>2,748,961.6</td>
<td>135,742.3</td>
</tr>
</tbody>
</table>
This brief description of Thailand’s exports related to GDP explains how important exports are to Thailand’s GDP. It also shows that the growth of trade can bring both negative and positive impact at the same time, because even when exports are on the increase and supporting Thailand’s GDP growth, Thailand’s trade deficits are also continually growing.

This description is important because for developing economies such as Thailand, exports are vital to the growth of the economy as well as the economic survival of the country, and this is reflected in key policy-makers’ attitude towards external commercial policy-making. Thailand’s National Security Council specifies the growth and development of the economy and society as one of the five most important national interests (Thanasathit 1999:7). This has been effectively transferred into the importance of Thailand’s commercial policies and the way these policies help to enhance the economy’s growth and development (Thanasathit 1999:6-8). Thepchatri explains that during the first few years of Prime Minister Thaksin Shinawatra, the government encouraged diplomats to focus specifically on economic issues (2003:24). Although the policy was seen as unclear, the Ministry of Commerce became strongly involved in active negotiation of bilateral Free Trade Areas (FTAs) (Thepchatri 2003:25).

Thailand has recently increased its focus on bilateral trade agreements, in the form of FTAs with various individual countries. Currently there are no FTAs between the EU and Thailand. Bilateral trade relations between the EU and Thailand are framed by the EU’s Generalised Scheme of Preferences (GSP) scheme, through which commercial policy concessions can be granted to Thailand. Thailand is one of the largest users of the GSP system, and several of the conflicts between the EU and Thailand can often be

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (US$)</th>
<th>Imports (US$)</th>
<th>Trade Balance (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>5,698,833.5</td>
<td>2,923,941.3</td>
<td>53.64</td>
</tr>
<tr>
<td>2003</td>
<td>6,464,406.2</td>
<td>3,325,630.1</td>
<td>3,138,776.0</td>
</tr>
<tr>
<td>2004</td>
<td>7,675,994.8</td>
<td>3,874,823.7</td>
<td>3,801,171.0</td>
</tr>
<tr>
<td>2005</td>
<td>9,193,949.8</td>
<td>4,439,310.6</td>
<td>4,754,639.1</td>
</tr>
<tr>
<td>2006</td>
<td>9,880,294.8</td>
<td>4,937,372.2</td>
<td>4,942,922.5</td>
</tr>
</tbody>
</table>
linked back to the variation in these GSP privileges\(^1\). From this point of view, it is important to emphasise how there are clearly two trends developing in Thai policy, one being in favour of the initiation of FTAs and the other against it. The argument, in either case, is very strongly based on national interest and how Thailand can maximise trade through creation of – or rejection of - the various FTAs. The Thaksin government in particular, in collaboration with a number of firms, was a strong supporter of the creation of FTAs. The Federation of Thai Industries which consists of several hundred industrial firms, has also shown strong support for the Thai-Japan FTA and said that it would help Thailand’s exports in food, textiles, and leather goods (Krugthepthurakij 29\(^{th}\) March 2007). The Thai National Shippers’ Council has explained how exports of textiles would increase by 35% while those of shrimp and poultry would increase by 50% when the Thai-Japan FTA is implemented (Krugthepthurakij 29\(^{th}\) March 2007). Moreover, the car industry has strongly supported the Thai-Australia FTA, saying that it would increase exports of cars built in Thailand by 31% (Prachachatthurerakij 7\(^{th}\) August 2006).

But, there is another side to the debate about FTAs, which includes economists, academics, and non-governmental organisations who have strongly voiced their concern over the usefulness of FTAs, particularly those which are poorly negotiated. Somkiart Thangkitvanij, head of the Thailand Development Research Institute disagrees with the government’s FTA with the United States, because he is concerned about the protection of Thai intellectual property rights. Although the proposed agreement was estimated to increase investment in Thailand as well as increase GDP by 1.6 to 1.8%, Somkiart warned that the FTA would cause severe damages to Thailand’s small and medium enterprises (SMEs) (Manager Daily 12\(^{th}\) July 2006). There is another argument against FTAs which concerns the balance between ‘invisible loss’ and ‘visible gain’. This was studied by Lawan Thanadsilkul who explained how the Thai-US FTA would put pressure on Thailand’s existing economic policy institutions (Prachachat Thurakij 3\(^{rd}\) July 2006). Moreover, several groups of NGOs have strongly disagreed with FTAs, such as the FTA with Japan. They have sent a case to the Supreme Court for a ruling against the cabinet’s decision (Manager Online 30\(^{th}\) March 2007).

\(^1\) Later chapters will go into further detail of problems in the GSP scheme, particularly in the area of Thailand’s shrimp exports.
Although there are different attitudes towards Thailand’s FTAs with other countries, it is apparent that all sides feel that commercial policies are important to the national interest. This tension between governments and corporations on one side, and academics and NGOs on the other, is a reflection of frictions in the Thai external commercial policy-making process which will undoubtedly have an effect on any partnership Thailand has. It also raises questions about the roles of the actors and their relative importance, especially when we consider how the proposed FTAs usually get signed despite the protests of academics and NGOs. It is important that despite the difference in opinion regarding the usefulness of FTAs, both sides of opinion similarly argue that national interest is a central question in the agreeing of FTAs.

In addition to bilateral FTA agreements, Thailand has been an active member of the Association of Southeast Asian Nations (ASEAN), and this has given Thailand additional resources with which to safeguard its national interest in areas of commercial policy. The collective power of ASEAN is so significant that the EU notes ASEAN as ‘a key partner for Europe’, with a combined GDP of 656 billion euros and a population of 503 million people, making it one of the largest regional markets in the world (Europa). One of the ways this power has been used is to make use of ASEAN’s collective power to improve FTA deals. This has proven successful in the Thai-India FTA negotiations, where simultaneous negotiations between ASEAN and India forced the Indians to provide further concessions to Thailand in accordance with the parallel agreements made with ASEAN at the same time (Prachachart Thurakij 19th March 2007). A second way in which Thailand makes use of ASEAN to enhance its national interest is through making use of the ASEAN plus 3 (APT) framework, where the addition of South Korea, Japan, and China adds even more bargaining power to the grouping. This is reflected in the Asia-Europe Meeting (ASEM) framework where the APT group has direct access to the EU through various meetings as well as a summit of leaders every two years. A third way Thailand can make use of ASEAN in its external commercial policy-making process is to play the US against the EU in issues concerning trade. A US Treasury Executive appointed to ASEAN affairs noted how the US regards ASEAN as an important driving

2 http://ec.europa.eu/external_relations/asean/intro/index.htm
extensively at all three levels, including bilateral, regional, and multilateral levels. This analysis is important because it helps to give further understanding of how Thai policymakers may be thinking when they deal with the issues of trade with the EU. For example, the preservation of the ideas of free trade may not be as important to the key Thai actors as the benefits Thailand might gain from a preferential trade agreement which does not fully include free trade. It is also interesting to see how political issues may not be as important as economic issues in Thailand's external policies, and mixing the two in negotiations might have negative results. Finally, it is interesting to see, especially at the bilateral level of FTA negotiations, how the government and firms have similar views which are sharply in contrast with more of academics and NGOs.

A Corporatist Approach: States, Firms and Thai External Commercial Policy-Making

Thailand’s status as a developing country with a predominantly centrally managed economy puts the government in the position of one of the most important actors, particularly when considering issues related to international trade. Logically, Thailand’s chief interaction with the EU has been in areas concerning commerce. But as the preceding argument has shown, some of Thailand’s larger firms are known to be very influential and powerful in negotiating policy with states, positioning firms as potentially major actors in the Thai policy-making process.

The proposition is that even in a developing country, the roles and interests of firms could be seen as a significant mechanism and potentially as important as those of the state in international commercial dealings. Susan Strange believes that technology, markets, and politics are most responsible for change in today’s global political economy, and that the state’s role is currently in ‘retreat’ (1996). Strange also suggests that power has shifted from weak states to stronger ones with global or regional reach; that power has shifted from states to markets and to non-state authorities actualising power from their own market shares; and that some power has dissipated because nobody has exercised it (1996:189). In States and Markets, Strange argues along similar lines and
mechanism for the region’s economic expansion and stability, in addition to China and India (Jeffer, The Economist Magazine: 2006) The US is ASEAN’s largest trade partner, with Japan second, and the European Union only third. This provides Thailand, as well as ASEAN, with an alternative partner to trade and to negotiate with (MFA International Trade document June 2003). A fourth way Thailand can preserve national interest through ASEAN is by making use of the ASEAN Free Trade Area to enhance intraregional trade. At the moment, intra-ASEAN trade adds up to 20% of Thailand’s total trade, which is the highest percentage amongst all trading partners (MOC intra-ASEAN trade statistic 2007a). This points towards an increased degree of intraregional dependency, which means that Thailand could opt for a stronger relationship with its neighbours who are more equal in status, rather than rely on the EU for economic support.

Finally, Thailand has attempted to protect its national interest in external commercial policy multilaterally through groupings within the WTO framework. Thailand is a member of the Cairns group, the 19 strong agricultural exporting countries grouping, which has continually pushed for liberalisation of trade in agricultural exports at the WTO Doha Round. The Cairns group position covers three main areas of the agricultural negotiations, including market access, domestic support, and export competition. In Hong Kong 2005, the Cairns Group joined with the G20 of developing countries to renew calls for elimination of the distortions and the restrictions in international agricultural trade, a more which the grouping viewed as necessary to develop the benefits of trade reform (Cairns Group Press Statement 16 Dec. 2005). Although the Doha Round is still undergoing negotiation, it is an excellent example of how small countries such as Thailand can join a larger group to exercise an influence within the WTO, in order to preserve their own national interest. With raw and processed agricultural products being a very important part of Thailand’s exports, amounting to 17% of its total exports, Thailand’s participation in the Cairns group is critical to its national interest (MOC Thailand Export 2007b report).

This section has argued that Thailand perceives external commercial policy-making as a way of preserving and enhancing the national interest. This happens

3 http://www.cairnsgroup.org/wto_negotiations.html
proposes that transnational relations consist of social and political groups as well as economic enterprises (1994:22).

The role of firms has dramatically increased in importance in Thai politics and its importance increased most markedly during Prime Minister Thaksin Shinawatra’s government (2001-2006). During this period of time, corporate interests and government interests were often accused of being indistinguishable, and it is apparent that this type of situation can be analysed using ideas of corporatism. Phongpaichit and Piriyarangsan argue that this system of corporatism, in which state and firm interests are mixed together, has increasingly become very normal and acceptable in Thailand, alongside the country’s continual modernisation process. Whilst the theory of corporatism has recently decreased in popularity among social scientists, a form of corporatism continues to thrive in the Western world because of a strong system of checks and balances and high transparency which is suited to the role of interest mediation (1994:20). A trend towards a different strand of corporatism with weaker checks and balances and poorer transparency has also developed in other parts of the world such as Latin America and Asia (Jilberto and Hogenboom 2005:147-258). There are some arguments that the Western world, especially America, are not happy to have to admit that certain groups in the society may have the power to strongly influence the economic and political system (Wiarda 1997: IX), but this does not rule out its usefulness in analysing Thai external commercial policy. The corporatism mentioned in this work is treated as an economic and social theory, rather than a form of political culture or the political economic arrangement of authoritarian governments. There are confusions and unclear views on which perspective is best-suited to look at corporatism, but corporatism here will be considered primarily as providing a conceptual framework which is used to explain and understand the Thai-EU partnership rather than a prescriptive theory designed to predict and to suggest future policy.

Therefore, when we put an emphasis on commercial policy as reflecting the manner in which the Thai state and firms govern trade policy-making, corporatism should be considered a strong candidate for a conceptual framework for analysis of Thailand’s commercial partnership with the EU. Schmitter, one of the pioneers of corporatism,
viewed the theory in terms of institutional structure. His definition of corporatism has
been key to its future development (1979:13)

Corporatism can be defined as a system of interest representation in
which the constituent units are organised into a limited number of
singular, compulsory, noncompetitive, hierarchically ordered and
functionally differentiated categories, recognised or licensed (if not
created) by the state and granted a deliberate representational
monopoly within their respective categories in exchange for
observing certain controls on their selection of leaders and
articulation of demands and supports (Schmitter 1979:13).

Importantly, Schmitter’s seminal piece clearly defined neo-corporatism as a form
of interest representation clearly different from pluralism, statism and syndicalism
(1974). Corporatism has also been defined as ‘a system of social and political
organization whereby major societal groups or interests are integrated in the
governmental system, often on a monopolistic basis or under state guidance, tutelage, and
control, to achieve coordinated national development’ (Wiarda 1997: IX). Views of
corporatism have continually shifted, and have moved on from a focus on interest
representation to a focus on interest intermediation (Williamson 1989: 14). Lehmbruch
offers this additional definition:

Corporatism is more than a peculiar pattern of articulation of
interests. Rather, it is an institutionalized pattern of policy-formation
in which large interest organizations cooperate with each other and
with public authorities not only in the articulation (or even
‘intermediation’) of interests, but – in its developed forms – in the
‘authoritative allocation of values’ and in the implementation of such
policies. (Lehmbruch, 1979[1977]: 150)
Moreover, Williamson also agrees that the development of corporatist theory suggests that there is some equivalence of influence among citizens and different interests within society, that the leadership of interest associations are ultimately under the control of the members, that the state is an essentially democratic neutral set of institutions, and that there are opportunities for participation in interest group politics (1989:19). The character of the actors within the decision-making process and the way they interact with the state however became a distinguishing factor in whether corporatism was dealing with a structure of interest representation or whether corporatism was a system of policy-making (Schmitter 1982, Molina and Rhodes 2002:308). Schmitter labels the former ‘neo-corporatism 1’ and the latter ‘neo-corporatism 2’, putting a clear line between himself and Lehmbach’s own definition of the theory (1982). This is an important distinction, and to analyse the Thai-EU partnership, it is more useful to understand that corporatism can be used both to understand interest representation and to explain how policy-making can be conducted by taking into account the patterns of interest representation between the state, businesses, and interest groups.

The uses of corporatism for the analysis of policy are manifold. Cawson suggests that one of the main contributions of corporatism is reflected in capitalist democracies and focused on exploring different patterns of relationships between state systems and organised interests. The second main contribution is the manner in which it forwards a comparative analysis of public policy-making rather than one centred within nation-states. This analysis has to focus on relationships between state agencies and interest organisations in particular policy areas (Cawson 1986: 20). Furthermore, an empirical study of the Swedish public administration also found that preferences are often changed in discussions when other interests are involved, and the decision-making process within a corporatist framework often shows deliberation, rather than negotiations between contesting interests (Oberg 2002: 455). Consequently, Oberg argues that corporatism can explain how trust in and between the represented organizations deliberating policy within the corporatist framework can be encouraged and sustained (2002: 455). The purpose here, as noted above, is to explore the extent to which ideas of corporatism can be used to explore the making of Thai external commercial policy.
The first major feature of Thai external commercial policy-making, the power asymmetry between Thai state, firms, and interest groups related to interest intermediation, is important to an understanding of how Thai external commercial policy-making is made and how this might have an effect on its relationship with the EU. While corporatism stresses inequality and hierarchy in the distribution of power, corporatists identify ‘organisation and the mobilisation of bias involved in organisation’ as the most important power factor (Cawson 1986: 14).

A second main feature of Thai external commercial policy-making is the way which the state usually dominates the interest mediation process and there is very often a closed and mutually complementary relationship with firms. This makes corporatism very suitable for the analysis of the Thai external commercial policy-making process since there is a closed relationship, rather than a disclosed, transparent and competitive one, between the state, businesses, and interest groups. This accords with claims from critics that Thailand’s policy-making process is strongly elitist and excludes the grassroots from the decision-making process. Corporatism’s focus on interest representation within ‘closed relationships’ closely reflects Thailand’s elitist decision-making process and makes the theory potentially suitable for the analysis of Thailand’s commercial policy-making.

A third feature of Thai external commercial policy-making is to support the move towards a modern market economy, in which the state, firms, and interest groups tend to act regardless of market-supporting institutions such as APEC, ASEM or the WTO. This is different from modern ideas on economic development where it seems that roles of institutions are considered to be at least equally important to the role of individual actors. This links to another criticism of corporatism, which is that corporatism is inconsistent with the empirical evidence shown in the creation of market-supporting institutions, such as rule of law and civil society, which related to Third World economic liberalization (Kong 2004:20). At first glance, it would appear that corporatism’s focus on relatively informal negotiation mechanisms among closed groups is a poor foundation for a move towards a modern market economy in a country such as Thailand. Kong, however, argues

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4 There have been indications that corporatism and Marxism may have many similar ideas although corporatists disagree with this notion.
that corporatism is consistent with neoliberal ideas in the manner with which corporatism encourages negotiation and compensating labour for the loss of employment and security (2004:21). In this manner, organized labour can be socialized to accept free-market economic norms. Kong further argues that with states accounting for up to 40 percent of GDP, even in developed neo-liberal economies, corporatism plays an important role in the coordination of economies and is consistent with the development towards a modern market economy (2004:21).

Understanding the process of political exchange within the Thai external commercial policy-making process also requires an understanding about the Thai-EU commercial relationship and recent developments in corporatism which have emphasised the roles of networks. Instead of trying to measure corporatism and explaining corporatist systems with certain types of economic performance, analysts feel that new types of corporatism should be analysed 'in terms of networks; their logics in terms of processes that underpin them; their fate in terms of the evolution of integration and the changing currency of exchange' (Molina and Rhodes 2002:326). In a comprehensive review of the 'return' of neo-corporatism, Molina and Rhodes noted that the role of actors in contemporary corporatism included a more active role of the state in negotiations, a weakening of trade unions causing an imbalance of negotiation power between partners, and a change in the process of bargaining due to the weakened power of these trade unions (2002:326-327). As will be discussed in chapters three and four, Molina and Rhode's propositions closely reflect the policy-making process in Thailand. Bull also explains how this political exchange relationship can be analysed through three conditions including the actors themselves, the actors' external environment, and the nature of the exchange itself (1992:270). These conditions have an effect on the autonomy of the actor, how its environment might constrain its behaviour, and how the issues involved might affect the political exchange within a corporatist environment (Bull 1992: 270). Similarly, Bull's explanation of the political exchange relationship in corporatism can be used to analyse Thailand's external commercial policy-making process where the autonomy of actors is conditional on the environment the actor is functioning within. This is an issue which is covered in more detail in the empirical chapters three and four.
There have been suggestions that Asian countries have strong components for corporatism due to their foundations in society, community, and group solidarity, although there needs to be a distinction made between the 'societal' corporatism of Europe and the state-dominant or authoritarian corporatism of the developing world, especially Latin America and East Asia (Kong 2004: 20). The authoritarian or state-dominant model of social corporatism, Kong argues, does not allow an independent labour voice (2004: 20). According to Wiarda, the Asian countries' strong focuses on communal values means that group based corporatism tends to be prevalent in Asia. Secondly, corporatism is a promising approach because of Asia's emphasis on solidarity and avoidance of conflict. Thirdly, Asians put a strong emphasis on national unity and tend to avoid forms of polarization which might tear society apart. Finally, Asians' acceptance of top-down hierarchy is also conducive to corporatism (Wiarda 1997: 83). Furthermore, according to some developing economies, corporatism has been linked to authoritarian political governments and ideas of state intervention, and analysts have also explained how the exchanges between functional interest associations and the state, through either institutionalisation or regular collaboration, help to sustain growth of the state economic intervention even beyond Keynesian lines (Almodovar and Cardoso 2005: 352). The influential and sometimes elitist role of the Thai state in external commercial policy-making is linked to Almodovar and Cardoso's proposals that the state plays a key role in the political economic exchange that is at the centre of the policy-making process (this is discussed in more detail in Chapter 3).

It is no coincidence that Wiarda's rationale for the spread of corporatism in various countries in Asia particularly relates to Thailand's basic values. The Thai government under General Prem Tinlasunlanonda during 1980-1988 may have been considered to be a corporatist government because of its establishment of associations from the private sector to help provide advice to the government on key commercial issues. The key government actors who encouraged the establishment of such associations actually had strong links to the private sector as well (Bunchaiyanun 1987, 85). Similarly, Former Prime Minister Anand Panyarachun has also agreed that heading his government can be described as a liberal corporate style government (Wrangel: 22
Anand interview archive\textsuperscript{5}). Laothamathas explains that official government sponsorship and encouragement has played a major role in the development of Thai businesses associations. This appears to make government-business relations in Thailand fit the corporatist model well. Moreover, the Trade Association Act and the Chamber of Commerce Act, currently considered the main Thai legislation on business associations, also contain many corporatist elements (Laothamathas 1996: 92).

These views on corporatism provide a conceptual framework for understanding Thailand’s external trade policy-making. Corporatism has generated several questions to ask about how the state might act, if firms were not involved in the commercial policy-making and negotiation process at all. It also asks the question whether the state might be very active in trying to support external commercial policies if commercial interest groups are not involved. And the most important thing is that it forces this research to acknowledge the possible significance of processes of exchange - collusion and competition - between states and firms in the issue of external commercial policies. Exploration of collusion and competition between the state and firms in Thailand in dealing with the EU concerning international commerce will be crucial in this research since it highlights the importance of the respective roles of states and firms.

This chapter has now established the importance of - and the tensions between - a ‘state-centred’ approach to Thai external commercial policies based on the pursuit of national interest, and an approach centred on processes of exchange between actors in the policy-making arena. The latter approach leads to a number of important questions about the terms on which exchange takes place, and about the prevalence of competition and collusion between governments and firms. The next section argues that these general questions can be explored through a focus on one of Thailand’s most significant external commercial relationships, that with the European Union.

\textsuperscript{5} www.anandarchive.org/archive/wrangle.php/237610
The previous sections showed how relatively unimportant Thailand is in the global political economy. They also showed that even if Thailand is unimportant in the global political economy, doing well in it is absolutely important for Thailand. This is shown in how Thai policy-makers see commercial policy as matter of national interest in all the forums they take part in.

To analyse more how Thai external trade policy-making actually is carried out, a suitable case study is needed. Since Thailand is an export-dependent country, the partner of Thailand in the case study should be a partner which is important for Thailand. It is also good if the partner is one with well-developed policy-making procedures and with policy-makers which have very exact roles. If this partner is important for Thailand and has well-developed policies and policy-making, it will show how Thai policy-makers are able to work with each other to pursue the national interest in external commercial policy-making.

This section will show how the EU is a suitable case study by doing two things. First, the EU’s power in the global political economy and in relation to Thailand will be analysed. This is important because it shows how the EU’s power in commerce is different from that of Thailand and how Thailand can be seen as dependent on the EU. It is also important because it shows how the EU can use its commercial power to influence other countries, including Thailand. The difference in power between the EU and Thailand is expected to be very important in the case study. The second part of this section will be about the EU’s policy-making procedures and institutions and how they can be considered to be an obstacle for their commercial partners. Several argue that the EU’s institutions make it a difficult partner to talk to. This makes the EU’s policy-making and institutions very suitable for use as a case study for Thailand’s external commercial policy-making because it promises to show how Thai policy-makers can work together to cope with and adjust to the EU’s demands. Equally important is how the Thai state and
firms may be able to work together to maximise Thai commercial policy’s effectiveness in dealing with the EU.

**The EU in the Global Political Economy**

In the context of the EU’s numerous relationships, Thailand is simply not considered as one of the EU’s important trading partners. In terms of total trade, Thailand’s share in trade with the EU is insignificant. For example, in terms of services, EU trade with Thailand in 2004 added up to only 0.6% of the EU’s trade in services. However, for Thailand, the EU is certainly one of Thailand’s most important trading partners. The EU currently accounts for an overwhelming majority of Thailand’s trade surplus, adding up to 89.3% of Bt175 billion in 2003. The EU also makes up 15% of Thailand’s total trade. Thailand also holds a place as one of the top users of the EU’s GSP regime.

The EU makes a good case study for Thailand’s external trade-policy because of the imbalance of power between the two and the EU’s use of soft power as a basis for its external relationships. Equally important is how the EU is among Thailand’s most important trade partners. Establishment of the EU’s role in the GPE is particularly important because it lays out the basic foundations on which the Thai-EU relationship is built. This analysis of the EU’s role in the global political economy should serve to further consolidate the understanding of how the EU’s political economic power stands in relation to Thailand’s as well as to frame the foundational context of the relationship.

In making use of the EU to analyse the Thai external commercial policy-making process, we firstly need to consider the importance of this economic disparity, since the disparity is expected to play a very strong role in the relationship. Secondly, the way in which trade and economics have played leading roles in the relationship, as opposed to politics and traditional diplomacy, needs to be considered. This has implications for the role of the state and the role of the firm, with a main research question being whether the trade and economic based relationship might mean that the role of the firm may actually have increased in importance relative to the role of the state. The economic focus of the relationship also appears to demand a role for commercial interest groups which is

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6 http://ec.europa.eu/commission/external_relations/thailand/intro/index.htm
expected be an important part in influencing the policy process, in accordance with ideas on corporatism and interest intermediation.

This section establishes the significance of the EU in order to mark the foundation of the EU's strategic economic power and any consequential political influence arising from the EU's economic power. The section lists a number of important factors which may result in the EU's use of its commercial power as an influence in the world, and in its relations with Thailand. This ranges from the EU's use of its commercial and economic power to provide itself with a better negotiating position in the area of trade, set ideas and agendas for the global political economy, and the normative use of its economic power to expand its desired role as a 'civilian power' in the GPE. The following section goes into further detail to attempt to establish what kind of 'actor' the EU might be, whether it can be considered as a state-like actor in the global political economy, and how the EU's unique 'actor-ness' might have an effect on Thai-EU commercial relations.

The EU's role in the GPE acts as an extremely important foundation for the Thai-EU relationship, particularly since it raises the question of how the power disparity between the two partners could affect the partnership. Unless included in the ASEAN structure, Thailand's share of the world market is minimal and might be considered as unimportant market for the EU. Moreover, the political influence of Thailand is even smaller when compared to a trade partner like the EU. This raises some very serious questions on how unequal economic power might affect the role of the state, the role of institutions and the role of firms in Thailand.

This power and dependency approach is meant to further clarify the domestic process approach (as noted in earlier arguments in corporatism) by noting how the Thai-EU commercial partnership works at a macro or structural level. The economic disparity between the EU and Thailand is expected to bring out tensions in the partnership which require solving and planning at the Thai domestic level. Consequently, the discussion in the following sections provides a foundation for further understanding in subsequent chapters on how matters at the macro level have been handled at the domestic level.
**Commercial Power as Influence**

The EU is one of the world’s largest poles alongside the US in terms of aggregate GDP (Bretherton and Vogler 2006:45), and accounts for 20 percent of international trade flows and about 30 percent of foreign direct investment flows (Woolcock 2000:374). Moreover the EU integration process has created dynamic growth of intra-trade within the EU, which after 1995 enlargement represented more than 60 percent of total trade for the average EU country. The enlargement of the EU has also created a drive towards self-sufficiency, which might be seen as a significant barrier to outsiders.

In addition, the EU’s resource creates power for the EU in the world economy and provides the EU with a good negotiating position in the area of trade which places them in a position to preserve their interests. The EU, in short, has the power to shape the rules in order to preserve and promote their interests. These rules sometimes are seen as a tool to create difficulties by tightened policies and could make an outsider lose out in the bargaining process.

The EU’s commercial power is unique and this has helped the EU to become an international actor by playing a role as a source of ideas and agenda-setting for the world economy and for outsiders. Piening indicated that these two roles, commercial power and international actor, have a direct relation since trade and economic relations serve as essential foundations to all foreign policy, especially since most relations are dictated by economic interests (1997:14).

The issue of the EU’s economic power is indirectly linked to why it is a difficult partner for outsiders, because it shows how much bargaining power the EU has over smaller nations and groupings specifically because of its commercial strength. The EU is not only one of the largest economic powers in the world, but also the biggest donor because it provides a 47% share of official development aid in the world followed by Japan at only 19% (Pinder 2001:51). This type of bargaining power needs to be carefully considered when analysing the EU’s external relations with Thailand and the manner in which Thai policy actors react to this type of bargaining power needs to be analysed in subsequent chapters.
The EU also has used its economic power to especially benefit a selected group of countries, hence simultaneously excluding others from competitively engaging with the EU. These significant numbers of preferential trade agreements can be seen as narrowing and limiting outsiders' chance to trade with the EU. The three groups of EU preferential trade agreements consist of EFTA, ACP (Cotonou Agreement) and Euro-Mediterranean. The EU reserves 1.1% and 1.6% of imports from ACP country and the Mediterranean countries respectively which is a large enough number to limit other outsiders' chance in trading with the EU (Tsoukalis 2003:77). It can easily be assumed that if the outsider wants to export to the EU the same products as these preferential trade groups export to the EU, those outsiders will encounter difficulties in tightened regulation and rules which try to block them.

Evidence shows how the EC is becoming a 'growing and increasingly structured presence in the international area' (Allen and Smith 1998:290) and how outsiders are increasingly required to deal with a more complicated actor than in the past. Smith and Allen also add that the EC is not only an 'actor' or presence' but also a process which includes complex institutions, roles and rules which structure the activities or the EC itself and those of other international actors it conducts relationships with (Smith 1996, Allen and Smith 1998. White explains that the EU is a 'unique but also non-unitary actor', which is a main actor in many areas of contemporary world politics (2001). Such characteristics can potentially complicate the problems faced by outsiders in trying to gain access to EU markets, and thus enter into their external commercial policy-making.

The EU is also increasingly being considered a civilian power, or a normative power, which has an influence on defining and tightening the rules for outside trade. This is especially true when the EU deals with a smaller economy such as Thailand because the power disparity is very wide. The normative power of the EU has five core norms: peace, liberty, democracy, rule of law and human rights. (Manners 2002:242). The EU as a normative power uses soft power as a tool partly through its economic power. The EU is currently an international body which still lacks the ability to gain leverage from military force or hard power. In contrast, the USA presents itself to the world as a state which has both hard and soft power. The USA can use these two powers together even if the USA may not need to exercise their hard power directly to influence international
trade, since the existence of hard power allows its soft power to be exercised more efficiently. Meanwhile, the EU’s true strength remains only in areas of soft, or economic, power. The EU’s exercising of this soft power is rather efficient, and can appear quite ‘hard’ to outsiders who feel its effects.

The EU’s global economic power is undoubtedly one of its most valued assets in the governance of its external relations and may consequently re-enforce the perception of the EU as a difficult partner. This section has demonstrated that the EU’s power in economic diplomacy has allowed it to manage its external relations by influencing trading partners with economic incentives. It has been implicit in this analysis that the EU’s economic power is a factor which gives it a very powerful status within the global economic community. The EU’s market is highly coveted by outsiders due to its sheer size, and loss of access would be costly. This may give the EU a strong position in negotiations with a range of functions. It has also shown how the EU has shaped the global economic arena by being an important player in the creation of the WTO forum. This has undoubtedly been the case due to the EU’s preference of how global trading should be conducted, and means that its partners would have to conduct trade according to rules the EU prefers to use. Finally, the EU’s role as a normative power has formed the EU’s status as a ‘soft power’, meaning that its conduct of commercial relations may be aimed towards non-commercial issues such as human rights and good governance. These are norms which the EU has consistently pushed with its economic partners, and have often been the subject of some controversy.

These issues are important for Thailand because it may mean that the central role as concerns the issue of countering the EU’s economic power and economic diplomacy might be given to the Thai state rather than to Thai firms – in other words, the ‘state-centric’ argument advanced earlier might be privileged by this situation and by a focus on overall power structure. Since the EU’s economic power is determined largely by how the member state governments have consolidated their power by giving power to the European Commission to negotiate on their behalf, it may imply that Thailand’s governments and bureaucracy are given the burden of dealing with this at high level summits and negotiations. This in turn could mean that the Thai firms become sidelined in the negotiations, although this is a question this research will analyse further.
This observation on the EU’s commercial power as an influencing factor is strongly relevant to the Thai-EU partnership because the EU’s sizeable economic power could be considered to create a strong power disparity in the partnership. The EU’s position means that the EU could shape the relationship according to its own preferences through enforcement of various political economic influences through the use of trade. This could include taking advantage of the power disparity in obliging Thailand’s cooperation in complying with liberal trading standards as well as non-commercial norms such as human rights and good governance. The EU’s global economic influence and relative commercial power also places the onus on Thailand to take careful note of the EU’s preferences in order to gain access to the EU’s markets.

**EU institutions and Policy Making**

In the previous section, we focused on structural approachess to understanding the EU and how they may affect Thai policy-makers. This section turns towards a process-based explanation and focuses on the EU’s institutions and policy-making process instead. Defining the EU is one of the problems which many outsiders are facing and is a critical question for Thai policy-makers. It will be very useful for outsiders to define it correctly, in order to realize the position and quality of the EU and thus create appropriate strategy in dealing with the EU. Traditional thinking would see that the EU is just an intergovernmental institution. This makes it the same as other intergovernmental institutions such as the United Nations, the World Trade Organisation, or the North American Free Trade Area. There have also been attempts to compare the European Community (EC) to a growing federal state (Jackson, 1995), but among academics it is being increasingly accepted that the EU less than a state, but more than an intergovernmental organization.

This section notes four unique challenges for Thai policy-makers in trying to deal with the EU. The first challenge concerns the EU’s complexity as a unique international actor. The second challenge is how to deal with the EU’s status as ‘more than a state, less than a transnational government’. The third challenge is dealing with the EU’s different modes of policy-making. The fourth challenge is how Thai policy-makers may be able to
cope with the EU's institutions, particularly between the Council and the Commission, and the tension between national and supranational positions.

The EU makes for an interesting case study for Thailand because of its very unique nature as an actor which is not a state, but with state-like functions. According to Peterson and Shackleton, the EU is a political organization which is less than a federation and more than a government (2002), a kind of confederation but not yet a federation (Chryssochoou 2000), and neither a state nor an ordinary international organization (Peterson and Shackleton 2002). The EU is a 'Unique' institution, according to Peterson and Sjursen, who try to define the difference between the 'European Union' and 'Europe' in order to help see a clearer picture of the EU in the world economy (Wallace and Wallace 2000:2).

In a country which lacks resources in policy-making such as Thailand, the EU's policy-making process poses some serious problems which require further analysis. The first challenge for Thai policy-makers concerns the EU's complexity. Smith argues that the EU is a 'mixed system of participation, regulation, and action'; it is 'complex, and multilayered'; and because it has mixed competences within its institutions, there continues to be a 'complex framework for continuous bargaining' (Smith 1994:457). Bretherton and Vogler view the EU as sui generis and define it as 'a multiperspectival polity whose construction reflects both the experimentation of policy entrepreneurs and the opportunities afforded by the changing structures of the international system'. They also argue that the EU as an actor is still being defined, and that the dynamics within the institutions and the member states make it difficult to consider the EU as a single actor (1999:44, 2006:137).

The second challenge for Thai policy-makers concerns the EU's status as encompassing more than one state and dealing with more than one government. There are some other arguments such as Wallace and Pollack who argue that the term 'intergovernmental' does not correctly define the varying policy modes in the EU, especially since the term is used to describe other international organisations where the intensity of cooperation is rather limited (2005:37). Wallace and Pollack also propose that the EU is an example of 'intensive transgovernmentalism' to show the larger extent of cooperation. This leaves room, she argues, for interpretation that the member
governments are ready for intense cooperation, but feel that the EU's institutional framework is still 'inappropriate or unacceptable' for being called federal institutions (2005:38). Moreover, the EU is still under construction since the enlargement of the EU has never shown expectations and no clue 'where' it should end (Peterson and Sjursen 1998:18). How Thailand deals with this transgovernmental and transitional nature through its own policy-making mechanisms is a test of how well Thai policy-makers are able to adjust to difficult challenges in their external commercial policy-making process.

The EU's governance style, which is still under construction, poses a crucial problem for outsiders, since it means that they have to follow rapid changes within the EU. These changes will also always have an effect on EU policy, thus, it would be very difficult for Thai policy-makers to adapt their strategies according to the dynamic changes within the EU. Outsiders such as Thailand, therefore, should understand the EU by its form and its system rather than just an implication of policy since the policy can change rapidly according to the current situation of the EU and world market. In other words, it is not enough to view only the EU's policies, but outsiders need to look at how the EU's institutions form these policies in order to understand the natural trend of EU policies.

The third challenge for Thai policy-makers is dealing with the fact that the EU has no single mode of policy making and actors in the EU also have different roles in different modes of policy making (Wallace and Wallace 2000: 28-35). According to Wallace, the EU has five variants of policy process, and each policy process modes places differing roles on each of the EU institutions. The five variants include the distinctive Community method, the EU regulatory model, multilevel governance, policy coordination and benchmarking and intensive transgovernmentalism (Wallace 2005). These modes appear to have been created as consequences of the EU's need to adapt to various policy areas. Thai policy-makers are likewise required to understand these different modes of policy making to understand the changes in policy, individual influence of the EU institutions, and policy processes.

The fourth and related challenge for Thai policy-makers is dealing with how the EU is a multi-level system which is producing multi-level governance where different institutions, at different levels, negotiate to reach a decision. This means that Thai policy-
makers will have to find a way to cope with and to understand the EU's own internal institutional struggles, particularly between the Commission's 'supranational' standing and the Council's 'national' positions. Policy-making procedures are reached at either the history-making, policy-setting, or policy-shaping level. At these different levels, institutions are involved in negotiations to reach a decision with varying degrees of influence at each stage (Peterson, 1995).

At all levels, particularly the history-making and policy-setting levels, more specifically the Common Foreign and Security Policy (CFSP) and Justice and Home Affairs (JHA), the role and interest of the nation-state are represented by the European Council and the Council of Ministers, the direction controller mechanism of the EU. The European Council, composed of the heads of government of each EU member state, gives direction to policies and makes the most important decisions for the future of the EU. The Council of Ministers has been seen as the stage to preserve their national interests. This is normally done through participating Ministers in many fields from the member states. All rules, which are produced, must be approved at this stage. Otherwise there won't be any major rule emerging. (Peterson 1995). Although the history-making level is not always directly relevant to Thailand's national interest, it is still critical to take note of how the European Council and the Council of Ministers continue to be strong representatives of national positions, and that national positions continue to play a significant role in the EU's policy-making mechanisms.

More relevant to Thailand's national interest due to their direct contact with Thai policy-makers and direct role in strategising with individual partner countries is the role of the European Commission. The Commission and its appointed 'European' bureaucrats, generally regarded as the supranational part of the EU, create, implement, and partly enforce policies within the EU. They give force to the integration process and deliver the EU towards a given destination. The Commission is considered as one of the most important driving forces towards integration because of its ability to create proposals right from the policy-shaping level, where other institutions have a highly limited role (Peterson 2002). However, they are still controlled since proposals must be examined and passed by the European Parliament (EP) and finally approved by the Council.
Thai policy-makers may also need to consider the power struggle between the EU’s institutions and the tension between the national and supranational positions within the EU. The complex institutions of the EU can create an imbalance of power within the institution itself, and at certain stages, it seems rather certain that the Council is one of the most influential institutions in the EU. For example, according to Moravscik, the Council was the only institution which played a significant role during the 1997 Amsterdam IGC and agreements were reached only in areas where most members gained with relatively little losses in interest for other members (1997:70). In addition, it has also been argued that individual member states have managed to influence the EU agenda to their relative gains or preferences and improve the competitiveness of trade with the new Single Market (Bretherton and Vogler 2006:58).

In Peterson and Bomberg’s argument, the Commission also plays an almost equally important role in the establishment of policy within the EU. This is especially true at the policy-formation stage and at the sub-systemic level, where the issues are still technical and relatively unpolticised. At the sub-systemic level, Peterson and Bomberg explain that choices are shaped in important ways through decisions taken in policy networks occurring within the institutions of the EU (1999:29-30). The Commission, thus, is able to shape and form policies before handing it over to other institutions, a formidable power in itself. In addition, the Council may have the final say in major decisions, but the Commission is undeniably significant as the institution which shapes and forms policy proposals. A satisfactory judgement of this very complex debate seems to be that one institution is often more powerful than the other, depending on the policy area and the interests involved. In the area of external relations, the Commission appears to have more control over policies than other institutions.

The problem of the Commission’s competency, or ability to act by itself, seems to have been a problem since it could form an obstacle to the EU’s capacity to act with credibility and coherence towards outsiders. Articles 133 and 310 of the Treaty on European Union give the Commission competency in matters concerning external commercial relations and give the Commission rights to talk to the world on matters about trade. Nonetheless, the Commission is still restricted by the fact that it will have to negotiate in accordance with the Council’s national positions and that states still exercise
informal veto rights at the negotiation mandate and ratification stages (Woolecock 2000, Meunier and Nicolaidis 2000:331). There are arguments along similar lines that this problem of mixed competencies, and of exclusive versus shared competency, will take away the EU’s ability to speak with one voice as well as decreasing the EU’s credibility in global negotiations by creating uncertainty (Smith 2001:792, Meunier and Nicolaidis 2000:343). It could also affect the nature of the international political economy, as ‘fragmented actors’ are believed to be less capable of producing packages of linked deals. They are also more likely to be protectionist in nature (Meunier and Nicolaidis 2000:331).

The multi-layered nature of EU institutions also allows the intervention of interest groups which may make the policy direction shift from where it should logically be. Interest groups have a significant effect in shaping and influencing EU policy. Moreover, there are a number of interest groups who have a crucial influence within the EU. In 1992 the Commission estimated that there were some 3,000 interest groups in Brussels, including more than 500 European associations, and that in total some 10,000 people were employed as a lobbyist of one sort or another in Brussels (Commission of The European Communities 1994), Mazey and Richardson 2001:32). Direct lobbying by firms has also increased between 1985 and 1997 when more than 350 firms established their own EU affairs offices in Brussels (Coen 1997:91). These interest groups normally lobby their national administrations, but they will also have direct access to European policy maker or actors in institutions. It is also important to note that outsider governments might also be effectively acting as interest groups in the EU governance system and this is a subject which requires further investigation in this research.

This section illustrates how the EU’s institutional and policy-making complexities might have an effect on Thailand’s governments and firms attempting to deal with the transgovernmental institution. A highly complicated policy process could mean that Thai governments and firms are unable to determine a point of entry to influence or negotiate with the EU. This research accepts that there are various points of entry in the EU policy-making process which might be made, but subsequent parts will attempt to find out which points might be considered to be most effective. This might mean that both outsider
governments and firms will together have an equally important role in attempting to access the EU's governance system as well as a role in influencing it.

The idea of a complex and arguably complicated EU policy-making process offers some serious implications in the manner in which the Thai government interacts with the EU. One could suggest that a developing country with state sectors possessing limited resources and specialized knowledge concerning the EU's unique policy-making process would struggle to develop expertise to both understand and deal with the EU's various institutions. Consequently, there is a possibility that Thai firms, with a strong and direct interest in gaining access to the EU markets may have developed a means or the expertise to cooperate with the Thai state sectors to maximize their opportunities to enter the EU market. This raises the question that Thai state and Thai firms, with possibly conflicting means of achieving their goals could enter into a policy competition in order to maximize their interest – but also that they might collude in forms of political exchange, as argued earlier in the chapter.

**Conclusion: Thai Commercial Policy-Making and Thai-EU commercial relations in context**

Conceptualising the Thai-EU commercial partnership needs to take into account the issues of the EU's global economic power and the implications of this economic power. This presents a number of issues related to the impact of structural disparities and to the use of commercial power itself. Alongside this, the issue of the EU's status as a unique international actor and its extremely complex policy-making procedures and institutions also needs to be analysed. It is also necessary to consider the nature of Thai policy-making, particularly in the area of international commercial policy-making, and the growing presence and importance of Thai firms and commercial interest groups. The possibility that corporatism, with its focus on processes of political exchange and interest mediation, would be the best framework for explaining Thai policy-making should also be considered.
The key questions in this research centre on the possible uses of power, the importance of power disparity, the complexity of the actors involved and the interaction between states and firms. First, this research questions how Thai states and firms interact to produce a set of intermediated strategies in order to deal with the EU’s economic power and complex institutions. This research secondly questions how the EU’s economic power and the EU’s complex institutions and policy-making process will have an impact on Thai states and firms’ strategies in their attempts to gain access to EU markets. A third key question is how the different or similar characteristics of Thai states and firms have an impact on their mutual co-operation, also when they have to interact with the EU.

Three key research propositions emerge from questions raised in this chapter. First, this research will consider roles of the Thai state as a facilitator for Thai firms in the Thai-EU partnership. The Thai state in this area will also include any governmental involvement in international institutions such as ASEAN’s dealings with the EU, or the Thai government’s participation in ASEM. This can be suggested as the main point of contact, especially since the EU’s complex institutional structure mainly encourages direct communication between governments and discourages direct contact between the EU’s institutions and smaller Thai firms with little significance.

The second key research proposition is the possibility that Thai firms may act as their own facilitators in Thai-EU relations. This is based on the proposition that firms have an independence in pursuing their own objectives free from the interference of states. In today’s global political economy, multinational firms do have the liberty to pursue their own corporate policies to maximise their own corporate interests and there may be suggestions that influential Thai firms may actually have arrived at this level.

The third key research proposition is the partnership of the Thai state and Thai firms in the Thai-EU commercial partnership. This could mean both collusion and competition between the state and firms in achieving a mutual set of objectives. This proposition is based strongly on the ideas of corporatism, which argue that the state and firms will go through a process of interest mediation before setting out the official commercial policies which would have an effect on external commercial policies. This would involve consultation, co-operation and evaluation from both states and firms to
each other on existing policies before setting out any new strategies and policies. According to the developing role of Thai firms and its inclusion in the policy-making process, this third key observation has a strong possibility to exist in Thailand.

In chapter 2, we will consider the development of Thai-EU commercial relations during the period 1969-2005, with specific attention to developments during the 1990s and early 2000s. This will provide the basis for more detailed study in chapter 3 of the 'state-centred' approach to Thai-EU commercial relations and to Thai commercial policy-making, and of the ways in which government structure can influence patterns of policy-making and policy effectiveness. This addresses the key aspects of our first research proposition above; it will also form a basis for moving on in chapter 4 to deal with the roles of firms and business associations in Thai policy-making, and to explore the interaction of state and firms.

Chapter 2:

Thailand-EU Commercial Relations from 1969 to 2005

Introduction

This chapter focuses on EU-Thai commercial relations from 1969 to the present period, dealing with various aspects of the partnership. First, it points to a number of general trends in Thai-EU commercial relations and problems which have occurred. A second area for analysis deals with specifically sensitive issues which have caused problems during the given period. A third area for analysis concerns the manner in which negotiations have been conducted and the major actors involved in any problematic situations.

The purpose of this Chapter is to provide a foundation to answer the main research questions provided in the previous chapters. In other words, the main foundations which need to be considered are Thai strategies in dealing with the EU as well as strategies for solving commercial problems. This analysis of trends is also
expected to uncover the major Thai actors involved in Thailand's commercial relations with the EU, and any instances of cooperation or competition between these actors. Finally, it is important to note if Thai policy-makers have found the EU’s unique nature difficult to deal with, and how Thai policy-makers have attempted to cope with the EU’s unique nature.

It is important to remember that this broad view of the history of Thai-EU commercial relations from 1969 to 2005 is not meant to be comprehensive. It is meant to show trends and the behaviour of Thailand's key commercial actors in creating strategies towards the EU as well as in solving problems that have arisen during the key moments in the Thai-EU Partnership. Chapters 3 and 4 are where the role of the key Thai actors as well as their actions and policy-making procedures are discussed in greater detail.

**Origin of the Thai-EC Partnership**

The origins of Thai-EU commercial relations can be traced back to 1969 (Nuansuwan 1977: 36). While the EC mentioned the desire to aid Third World countries through trade, this was a period in which the EC was attempting to spread its influence in the Third World in order to spread the broader ideas of trade liberalisation. When the UK joined the EC in 1973, Asia had already begun to prove itself as a competent trader. This effectively made it ineligible to join the Lomé Convention which was founded in terms of development policy. According to Holland, this effectively limited the possibility of upgrading relations for the next two decades (2002:60). The EC had agreed on a Textile Agreement with Thailand and other 11 Asian countries which subsequently resulted in the introduction of a GSP system on the 1st of July 1969. This was the first time the GSP system had been introduced to Thailand as a system which aimed to help Thai exports grow in the EC market.

While the EC stressed being a good economic Samaritan as the reasons for provision of the GSP to Thailand, it was insubstantial relative to the aid other regions of the world were receiving. Development aid coming from the EC to Asia was largely aimed at the three South Asian states (India, Pakistan, Bangladesh), which were given the
best market access in accordance with the 1971 GSP regime. Even as such, the aid to South Asia was only seven percent of Europe's total aid budget (Holland 2002:61).

Subsequently, the economic relationship between the EC and Thailand was limited in substance. The most visible attempt to set up a framework for regular institutional contact between Thailand and Europe started with the establishment of the Association of Southeast Asian Nations (ASEAN), in 1968. This allowed for the possibility of region-to-region negotiations which allowed for informal contacts to be made from 1976 to 1980 (Forster 2000:790). Most noticeably, the Malaysian and Singaporean concern that ASEAN market access might be reduced due to loss of preferences from the Britain's accession to the European Community resulted in the start of an institutional link between ASEAN and the EC. This built up into formal consultations which resulted in the beginning of a full dialogue relationship, with regular attendances, at the ASEAN Post-Ministerial Meetings (ASEAN-PMC) with other industrialised states from the Asia Pacific in November of 1978 (Leifer 1998:200).

ASEAN and the EC were in their developing stages at the time, but 1967 to 1980 would be considered a period when a 'machinery for regular institutional contact' was being created through informal contacts (Forster 2000:790). This was later formalised with the creation of the EC-ASEAN Cooperation Agreement in March 1980. In 1973, the delegation of Sir Christopher Soames, Vice President and Commissioner for External Relations of the EC Commission, travelled to Thailand for a meeting between the EC Commission and ASEAN Ministers. This was the second meeting at this level after the first one was held in Brussels in June 1972, and the first to be held in an ASEAN country. This points towards Thailand as holding one of the leading roles in the EC-ASEAN process. This came at a period when Thailand was perceived as being highly successful in the past three decades with its real GDP between 1961 to 1986 growing at a rate of 7 percent per year. This made Thailand the centre of interest for several industrial countries, including the EC member states, mainly the UK, France, and Germany. The central attraction was Thailand's natural resources, attractive investment prospects, cheap labour, and the government's export promotion schemes (Nualsuwan 1981:32).

Thailand's relationship with the EC continued to be defined by the European's relationship with ASEAN, and before 1980, both ASEAN and most of Asia showed little
sign of the economic boom which would occur soon after. The 1980 Cooperation Agreement, while formalising the relationship, was agreed to be rather intangible and based on principles. Leifer, for example, described it as having ‘more of form than of substance’ (1998:203). McMahon explains how the agreement held ‘little substantive change’, because even after establishment of the agreement, normal GSP levels continued to be the preferred means used for trade agreements (in Holland 2002:62). Similarly, Forster described the agreement as ‘weak’ because it did not provide EC budgets or instruments for interregional activities. In addition, it was also limited to trade more than second-generation economic issues such as investment (2000:791).

**A growing partnership and a developing Thailand**

In any case, the 1980 Cooperation Agreement between the EC and ASEAN paved the way for further economic cooperation in the years to come. Since ASEAN was becoming a supplier of primary products with a growing market of 250 million consumers, it became a gateway for European companies to enter the Asia-Pacific marketplace (Forster 2000:790). In this manner, the Cooperation Agreement was a ‘good starting point for assessing the nature of the relationship’ (Leifer 1998:2000). This framework for interregional cooperation benefited ASEAN and the EC by formalising informal contact and also promoting a number of functional activities of mutual benefit. The agreement helped trade between the EC and ASEAN members to increase rapidly from just over 12 billion Ecu in 1980 to nearly 58 billion Ecu in 1994 (Leifer 1998:201).

Thailand may have become one of the main beneficiaries from this rising relationship between EC and ASEAN. After the Cooperation Agreement, Thailand’s exports to the EC between 1984-1989 grew by 22% per year. Especially in 1988, Thailand’s exports to the EC grew by 20% of total Thai exports (Nuansuwan 1977: 37). Thailand’s export efforts were aided by the Thai government’s economic development plan which concentrated on the development of industries and basic infrastructure such as transportation and electricity generation. This was a period when Thailand was attempting to turn away from its agricultural dependency and was trying to become an
industrialised nation. During the period between 1961 to 1988, the Thai aggregate agricultural production reduced from 39.45 percent to 16.9 percent of total GDP.

During the 1970s to 1980s, the first co-operation between Thailand and EC arose from the 1982 Tapioca Agreement. The agreement aimed at helping the Thai Government’s crop diversification efforts and at improving Thai possibilities of exporting to the EC. ‘Almost 200 million Ecu were committed for crop diversification and irrigation projects in the North-East of Thailand, the main tapioca-producing region.’ Apart from the Tapioca Agreement, EC also introduced more than 12 projects to aiming to support Thailand’s ability to export to the wider world (International Trade Strategy paper 1987:15).

During this period, trade friction between the EC and Thailand with regard to agricultural products had already started to appear. In 1976 drought in Europe caused a shortage of grains within the EC member states, causing the EC to import large amounts of tapioca to compensate as livestock feed. In the next year, when the draught ended, this resulted in overproduction, especially in France which is a major producer. In October of 1977, the French government urged the EC to put a limit on tapioca imports which they claimed had a highly negative impact on production of grain within the EC. The French also claimed that the demand for grain in the EC was decreasing, which contradicted actual statistics (Osatiarthum, 1980: 210). In fact, the demand for grain was increasing from 1968 to 1977, tapioca demand within Germany, a major producer, had increased from 3.3 million tons to 4.7 million tons. The French, while arguing that the demand was decreasing, actually increased their production 3.6 million tons to 6.3 million tons (Asavasirayothin 1979).

During the period leading to 1982, Thailand’s exports of tapioca to the EC had increased so dramatically that the European governments were claiming that it was affecting the grain production infrastructure within Europe. Tapioca was being used instead of European grain for feeding livestock and while France and Italy were able to produce barley oat and maize, it still could not compete with Thai tapioca prices. Thailand’s increasing dependence on the EC market meant that when the EC insisted that Thailand sign the 1982 Tapioca Agreement to impose a quota on Thai tapioca exports, the Thai side had to oblige. It is important to note that Thailand’s dependency on tapioca
exports was such that the local Thai tapioca market’s success depended entirely on how much it could export to the EC and which direction the EC’s subsidies were headed at. If the EC was granting too many subsidies to member states, it could possibly kill off the Thai tapioca market (Intanoochai 1990:264).

Another factor which put pressure on the Thais to accept the 1982 Agreement was because Thai exports were originally facing a reduced 6 percent export tariff. If the Thai government were not to sign this agreement, the EC could have been entitled to charge the maximum tax fee of 18 percent. The agreement was divided into three phases which gradually reduced the Thai tapioca quota from not more than 5 million tons in 1981 to less than 4.5 million tons in 1985 (Asavasirayothin 1979). If the Thais were to face the 18 percent tariff, it would not have made Thai tapioca less competitive, but it could have been subject to numerous substitute products for livestock feed.

**Increased intensity in the Thai-EU Partnership**

During 1986-1987, the Thai baht value had been decreased due to a global economic downturn which helped Thai exports to grow so quickly that there was a trade surplus of Thai exports to the EC. That was the period which made EC market one of Thailand’s most important exports, and Thailand, therefore, was very dependent on the EC market. These several years were significant years for trade between Thailand and the EC. 1986 was the first year that industrial product exports increased higher than agricultural products which was a great advantage for Thailand since products in the industrial sector tends to give more profit than others and do not rely on unsustainable natural resources and weather factors like agricultural products.

While Thailand and the EC was facing its first trade friction, the EC’s commercial status with Asia was rather unenthusiastic. Forster describes the relationship as ‘dysfunctional’, and the Commission had become more interested in building a Single European Market between 1986 and 1992 (2000:793). This was made even more difficult by the EC’s institutional complexities, European confusion on how to group Asia as a region, and by a growing number of political differences between the EC and ASEAN.
Problem areas included human rights, different interests of member states, and the supranational institutions, making it difficult to create an acceptable method to renegotiate the now obsolete 1980 Agreement (Forster 2000:793-795).

In 1986, Thailand became one of the founding members of the Cairns group which was designed to reduce agricultural subsidies, such as the one the United States was being accused of. The United States agricultural subsidies were considered to be even more problematic than the EC’s Common Agricultural Policy. In Punta del Este, Uruguay, GATT members agreed to a mandate to negotiate on agriculture in the Uruguay Round as a consequence of the lobbying power of the Cairns group. When Thailand joined the Cairns group, it was also clear that the EC was beginning to see Thailand as one of its major agricultural trading partners. Thailand joining the Cairns group may also have been seen an indirect declaration of trade war against the EC, as the EC expressed clear displeasure with the Thai role. The acting French Minister of Foreign Affairs openly declared that he knew of the significance of the Thai role in the Cairns group and was aware that Thailand had a role in the accusation that the EC’s agricultural policy was unfair (Asavasarayothin 1979). Ever since, the French government have established themselves as Thailand’s adversary when it comes to matters regarding agriculture (Manager 18th Feb. 1992:15).

From 1986 onwards, the EC was the most important Thai export destination. 44% of Thai total export to the EU was under GSP. The EC granted GSP to Thailand without any conditions while the USA provided GSP support to only 20% of Thailand’s exports and expected to reduce more because of the economic downturn during these several years in the USA. In 1987, about 70 percent of Thai tapioca was being sent to the EC making it the 2nd largest export after textiles (Osatiarthum, 1980: 210).

In 1986, Thailand tried to negotiate with the EC to obtain more clothes and textile quota for exports to EC, because Thailand saw an ability to manufacture textiles at a low cost but at a high quality for export. The quota had not been increased until 1989 which was the year that Thailand exceeded the textiles quota (Nuansuwan 1977 : 46). The EC, therefore, decided to remove GSP from some categories in the textiles sector such as ladies clothings produced from animal fur or cotton by accusing Thailand and another four countries of dumping. This was the first time that Thailand had faced a removal of
its GSP privileges as well as the first time it faced an anti-dumping investigation (Nuansuwan 1977: 46, Setthakijthai Dec1986).

In 1989, World Bank reports indicated that Thailand was one of the booming Asian countries which were experiencing an increase of over 10% GDP annually. This was true even though Thailand continued to have transportation and infrastructure limitations. Meanwhile the rise of the Newly Industrialised Countries started off some conflict of interest between Europe and Asia with Taiwan, Hong Kong, Singapore, and South Korea becoming serious threats to important areas of production (Holland 2002:60).

Towards the end of the 1980s, Thailand also faced problems with different standards imposed by members of the EC such as France and Italy, which had very high standard requirements. This created problems for the seafood sector in particular. France and Italy used to ban canned crab and canned prawn from Thailand because there were contaminants called EDTA which were used to maintain the freshness of products. Thailand had to negotiate for 7 months to receive an approval from France and Italy to accept canned crab and canned prawn exports from Thailand again (Thairat, 16th Oct 89 : 2).

However, Thailand was able to export tuna to the EC and was ranked 3rd in tuna exports to the EC. This was despite Thailand having to pay an export tax of 24% without any GSP, while other countries such as those in the ACP group were able to export to the EC at a lower tax rate with GSP. During the late 1980s, Thailand’s strategy to promote Thai exports to the EC was through joining trade exhibitions and arranging a group of representatives to negotiate and mediate trade disputes which arose in the EC over Thai exports (Tweedej 2001: 62-83). Moreover, the Ministry of Commerce planned to create a Thai distribution centre at Rotterdam, the port city centre of the EC, as a pre-emptive strategy for the coming of the EC market integration in 1992 (Skuljai 1999:1).

Between 1988 to 1990, tensions between the EC and Thailand intensified due to intellectual property infringements in Thailand. This was due to the widespread sales of pirated cassette tapes. France and Germany filed complaints with the European Commission requesting the investigation of piracy in Thailand’s music industry. In 1990, the European Commission stated their concern about the ubiquity of piracy in Thailand.
The International Federation of the Phonographic Industry (IFPI), the representative of 449 music companies, sent in a delegate to investigate the problem of piracy. It turned out that over 90% of tapes on sale between 1985 to 1990 were pirated copies. IFPI claimed that this had resulted in losses of over 640 million Ecus per year (Suangsuda 1995 : 49).

Consequently, the European Commission threatened trade measures against Thailand if the situation did not improve. Thailand rejected the claims of the IFPI delegate, stating that the European music industry in Thailand was worth no more than 240 million Ecus per year. The Thai government refused to take any measures and in January 1992, Thailand sent a delegate to Brussels to negotiate further on the issue. In March of 1992, the European Commission unanimously agreed that Thailand was infringing copyright laws and this was resulting in ‘material injuries’ to the European music industry. The Commission concluded that it would initiate trade countermeasures against Thailand beginning in April 1992 (Suangsuda 1995 : 49).

On the 30th of July 1992, the Thai Commerce Ministry Permanent Secretary was sent to negotiate with the European Commission. Talks broke down due to the Thai delegates’ refusal to accept the EC’s demands due to its inflexibility and impracticality. The EC’s fixed negotiating stance included demands for all pirated tapes to be confiscated immediately and without condition. The Commission subsequently submitted an exchange of notes, but the Deputy Thai Minister of Commerce refused to sign the document. According to Pridiyathom Devakula, Deputy Thai Minister of Commerce, it was a ‘loss of national dignity’ and that Thailand would have to accept the EC’s cut in GSP of Bt5 billion because ‘nothing was more important than Thailand’s national dignity’ (Matichon 2 Aug 1992:5). This was a period when the Thai media claimed that the EC was being especially repressive to Thailand because of political unrest resulting from the Bloody May7 events (Matichon 8 July 1992:4).

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7 Bloody May: ‘Excessive Use of Lethal Force in Bangkok: The Events of May 17-20, 1992: A bloodless military coup toppled a popularly-elected government in Thailand in February 1991. A year later, one of the leading generals declared himself prime minister, sparking massive political opposition from a broad-based pro-democracy movement. Hundreds of protesters demanded the general’s ouster and called for constitutional changes. The government responded by opening fire on a May opposition rally, resulting in 52 deaths, hundreds of injured, and many disappearances’.
After a week of negotiations, the European Commission reduced its demands and allowed for more flexibility in Thailand's handling of the music industry copyright issue. On the 11th September 1992, the Thai delegate to Brussels finally agreed to sign the document, quickly averting a major trade crisis between the EC and Thailand. On the Thai side, this was a lesson which clearly pointed towards different attitudes between the political and the bureaucratic sides. The bureaucratic side (which consisted of Thailand's civil service units) appeared to understand the problems involved in the event of the loss of the EC GSP, while the political side (politicians and political appointees) was far more concerned with national sovereignty and dignity (Preechawongarun 1994:108).

Between 1990 to 1992, a similar trade dispute with regard to canned tuna, which threatened the commercial relationship between Thailand and the EC, also took place. This started from English customs officials raising the concern that the Thai canned tuna being exported to the UK was not the Bonito Sarda species which Thailand claimed it was. If these concerns were true, Thailand would face another cut in the GSP, because Thailand was currently receiving an export tax reduction of 18% from the full tax of 25% for other tuna species (Thairath 17 January 1994:1, 12). Germany, one of the largest importers of Thai canned tuna, requested further information on these claims, but the Thai Department of Foreign Trade insisted that the exported tuna were indeed the Bonito Sarda. Another problem posed by the EC side was that the tuna were not in accordance with the rules of origin. According to rules of origin, the exported tuna needed to be caught only within Thai seas, but the EC member states claimed that Thai seas did not have the Bonito Sarda tuna (Thairath 24th January 1994: 9).

After investigations resumed, the European Commission decided to cut Thailand's canned tuna GSP. This was despite Thailand's insistence that the canned tuna were indeed caught within Thai seas and that they were Bonito Sarda tuna. The EC continued to pressure Thailand after cutting the canned tuna GSP by scheduling the slow reduction of tuna imports from ASEAN by 1993 (Thairath 24th January 1994: 9). Another similar trade problem which resulted in cuts in the GSP included contaminants and chemical substances in frozen chicken in 1992 (Chicker Exporters Association document:1992). In addition Thailand was subject to anti-dumping investigations in the
areas of television, disposable lighters, miniature ball bearings, and cotton during this period (Thairath 17 January 1994: 12).

In 1994, Thailand brought the ongoing canned tuna dispute to GATT. Thailand was the only country to bring the issue of canned tuna to GATT, adamant in its demands that the EU was acting unfairly. The ruling was made in favour of Thailand and from the beginning of 1st of January 1997, the EU was forced to abolish its quota on canned tuna (MOC Document 1998).

After 1992 Thailand began to build up a trade deficit against the EU. One of the main reasons for this is the EU’s CAP reform which reduced the price of grains within the EU by 29% through subsidies, limiting the production of grains to match the demand within EU, and reduction of grain farming areas as well as giving additional subsidies to farmers who agreed to this policy. This had an effect on Thai agricultural exports and resulted in the reduction particularly of tapioca and processed canned fruit exports as in 1993-1997 the number of agricultural products export decreased from Bt15366.4 million, Bt12074.5 million, Bt9813.5 million, Bt10983.7 million respectively (MOC document: 1990-2000).

Before 1994, the EU considered the Asian region as a whole as rather insignificant, mostly focusing their efforts on Japan, China, India, and in some instances, Korea. At this stage, important developments had been taking place in Asia, and ASEAN had become the world’s tenth largest exporter and had developed a trade surplus with the EU. EU trade in Asia totalled $312.5 billion, compared with $235 billion trade with the US. East and Southeast Asia’s economy grew by 44 percent between 1990 and 1995, accounting for almost half of the world’s growth (Forster 2000:793-795). Despite these factors, the Asia-Pacific continued to be a ‘a striking omission in the EU’s profile as the world’s leading trading power’ (Holland 2002:63). The US, along with the partners in the North American Free Trade Area recognised East Asia’s post war economic significance long before the EU (Dent 1997:162). The EU was also aware that its exclusion from APEC, established in 1989, could have negative effects on its economic ties with the region (Holland 2002:67).

This prompted the EU to devise a 1994 Towards a New Asia Strategy, which aimed at increasing the EU’s economic presence in Asia. This focused on development
issues, extending political dialogues, and promoting democracy, good governance, and the rule of law. It has been argued that due to the decreasing significance of ASEAN compared to Japan and the NICs, ASEAN had been relegated to being merely 'one of the key elements of its Asia Policy' (Forster 2000:795).

1997 brought about mixed results between the Thailand and the EU. Thailand's development led to its graduation from 9 sectors in the EU's GSP scheme (MOC Strategy Paper 2001). The 1997 GSP cut of 50% in relation to shrimp exports especially affected the Thai shrimp industry. Shrimp farmers in Thailand lost Bt10 billion in income in 1999. The quantity of exports to the EU had fallen from 32,866 tons in 1995 to 5,181 tonnes in 2003, a reduction of 27,685 tons or 84.24 per cent. This caused shrimp exporters in Thailand to push the government to request tariff privileges from the EU under the GSP. This was particularly because Thailand's major competitors were receiving tariff breaks and privileges which were taken from Thailand in 1999. This has been a longstanding problem which has persisted to the present day (The Nation 8th Sep. 2004).8

The Asian Economic Crisis, Trade Imbalances and Consequences

1997, however was the year of the Asian economic crisis in Thailand and what Thailand lost in GSP was covered by the Baht devaluation. As a result, Thailand was able to export more and this resulted in the first Thailand trade surplus against the EU. Between 1998 to 2001, exports to the EU added up to $10276 million US dollars which is an increase of 6.3% per year. In the meantime, imports from the EU decreased by 12.8% per year. The main Thai exports were computers, computer parts, automobile parts, clothes, gems, air conditioning units and parts, footwear, electronic transistors, rubber products, telephone parts, and electronic circuits (Tassanai 2002:43).

In 1998, due to Thailand's increased capacity to export, the EU cut Thailand's GSP in the areas of plastic products, rubber products, footwear, leather products, and gems and valuable minerals. In 1999, further GSP cuts took away seafood privileges

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8 A more detailed study of the shrimp export problems Thailand faced with the EU is made in Chapter 3.
completely. In addition, processed food and drinks GSP cuts were also made (Roongwattana, Business Highlight Magazine: 2005).

In 1999, EU was Thailand’s second most important trading partner and Thailand’s 4th largest market for shrimps. In 2002, contamination in Thai shrimps released in the Netherlands prompted the EU to implement its ‘zero tolerance’ food safety policy (Bangkok Post 1 Jan. 2003). 100% inspections of Thai shrimp products were conducted within the EU after the shrimps were found to be contaminated with two chemicals known as chloramphenicol and nitrofurans. The EU set very high standards for import of shrimps, for the residues of two antibiotics used between 0.1 and 0.3 parts per billion, but the standard was considered impossible to reach by Thai producers and much higher than accepted international standards (Market Report: Food Market Exchange Jan 31 2003). When Thailand’s GSP was cut, the tariff on Thai shrimps imported into the EU increased from 4.5% to 14.5%. Ready to cook shrimp tariffs increased from 6% to 20% causing Thailand’s shrimps to become more expensive and less competitive in the EU (Chauvin, 11 March 1999).

The EU’s system for GSP consideration has been considered unequal and discriminatory because the other large exporters of shrimp including Ecuador, India, Bangladesh, and Indonesia continued to retain GSP privileges and benefits (Bangkok Post October 16 2002). Thai shrimp exporters eventually called for a boycott starting in January 1997 on EU products such as French wine, Scotch whisky, and milk from Denmark, Ireland and the Netherlands. In December of 1996, the association of shrimp exporters also urged the Thai government to suspend purchases of Airbus airplanes from Germany and Belgium (Shrimp Sentinel Online 1997). In addition, the CP Group also decided to abort its imports of aquatic feed from the EU for its aquacultural operations (Shrimp Sentinel Online 1997).

Trends from 1997 and the weakened Thai baht resulting in a widening trade gap between the EU and Thailand appear to have caused a rash of protectionist measures from the EU.

In 2003, Thailand prepared to lodge a complaint with the WTO against the EU, complaining that its sugar subsidies violated EU commitments on agricultural trade. The move was among the first organised by an informal sugar cartel consisting of the world’s
five top sugar exporters. Thailand, exporting 4.5 million tonnes a year is only second to Brazil in the list of top exporters. In 2003, analysts noted how the EU’s sugar regime was strongly protectionist, with tariffs as high as 339% for raw sugar, and 419% for white sugar. The EU made use of a quota system to allow imports at lower tariff rates, but the amount added up to less than two million tonnes a year (Bangkok Post 8\textsuperscript{th} Jul. 2003:8).

In this year, the EU also gave Thai canned tuna a 13,000 tons annual tariff quota with half duty, starting from July 2003. This was a result of the WTO Ministerial Meeting in Doha in November 2001 when Thailand and the Philippines put in a joint request to ask for the consideration of tariff preferences, citing the cases of the EU’s preferential treatment of canned tuna from the ACP states. Negotiations broke down, but the negotiating parties agreed to pass this issue on for mediation under the WTO. The WTO eventually ruled that the EU should open a Most Favoured Nation - based tariff quota of 25,000 tonnes for 2004 at an in-quota tariff rate of 12% (Delegation of the European Commission in Thailand 2005). The most recent progress with regard to shrimp exports is that the EU agreed to give back shrimp GSPs in January 2006. There have also been considerations as to whether Thailand should be given temporary privileges even before the agreed date.

In 2004, the outbreak of avian flu in Thailand and many countries in Asia affected Thailand’s chicken exports to the EU. This is one of the most significant incidents which destroyed the reputation of Thailand as a reliable exporter. The story started when David Byrne, the EU Health Commissioner, arrived in Thailand and went back to confirm with the EU that there was not anything to be worried about Thailand’s chicken because they were definitely safe from any disease. Two days after his return, the news about avian flu outbreaks in Thailand became widespread everywhere after it has been concealed by the Thai government for many months (The Nation 18\textsuperscript{th} December 2004: 14).

This was very unpleasant for the EU, as the second biggest market for Thailand’s chicken export and where safety standards were given a high priority. The EU decided to ban all Thailand’s poultry products and poultry slaughtered after 1 January 2004. The situation of the outbreak became worse when it appeared that the disease could spread to other animals and even human beings. Both Japan, Thailand’s biggest chicken export market, and the EU, therefore, continued to ban poultry products from Thailand because
the outbreaks in Thailand were reported even in April 2005, several months later. (www.deltha.ec.europa.eu)

The banning resulted in the significant reduction of Thailand’s chicken exports, by 88% from the previous year. However, this situation was not considered to have a significant effect on Thailand’s export, because poultry exports constituted just less than 1% of Thailand’s total export. The Thai government, however, managed to reduce the surplus chicken stock, which added up to more than 100,000 tonnes, by ‘counter trade’ tactics. This occurred, for example, when the Thai air force wanted to buy airplanes from Sweden. In this case, Thailand also requested that Sweden buy chickens from Thailand as a countertrade measure. (Tarnsettakij 21st September 2005:7)

**The Present Partnership and Onwards**

The countertrade strategy has helped effectively in reducing surplus poultry stock. However, even though Thailand has managed to eliminate the surplus stock to gain trade balance back, Thailand continues to face the problem as an unreliable exporter since the government tried to conceal the facts about the avian flu outbreak. This was an event which has totally destroyed trust from two significant importers, the EU and Japan.

Moreover, since 2001 the EU has been increasingly aware of the potential of ASEAN as a strong exporter. There has recently been a study showing that the centre of the world economy will be shifted to Asia Pacific region by 2050 and ASEAN will appear to the world as the world’s largest exporter. Furthermore, the significant growing export economies and a quickly developing domestic market of 530 million people in Asia Pacific made the EU believe that ASEAN is a region of great economic significance (Commission: 2003a).

The EU, therefore, aimed to pursue deeper integration through the ASEAN dialogue by pursuing bilateral relations with countries in ASEAN within a broader multilateral framework. The 2003 ‘A new partnership with South-East Asia’ Communication is a new initiative which appeared to support the creation of further bilateral agreements between the EU and countries in South East Asia. This
Communication formed the foundation for the EU's initiation of negotiations for a bilateral framework agreement with Thailand (Commission: 2003b).

Thaksin Shinawatra, the former prime minister of Thailand, agreed to start working on this first bilateral cooperation agreement with the EU in 2002. It was initially expected that the bilateral framework agreement between Thailand and the EU were to be completed by the end of 2005. The cooperation aimed to develop many factors which were aimed at enhancing good relations between the EU and Thailand. These included trade and investment issues such as market access, technical barriers to trade and trade facilitation; food safety; industrial policy; energy; science and technology; education and culture; the environment; health; as well as human rights and good governance (17th Dec 04: delegation of the European commission to Thailand.).
Conclusion

The trends between 1969 to 2005 clearly point out towards various key characteristics in Thailand and the EU’s partnership. Agricultural and textile products clearly are two of the most problematic and sensitive areas in the partnership. Electronic products, while being one of Thailand’s most important exports, are yet to become a problem in Thailand’s commercial relations with the EU. Throughout the analysed period, various attempts at diplomacy, the use of commercial pressure, high-level negotiations, and the influence of interest groups have been detected. The influence of certain member states such as France over overall EU agricultural policy could also be seen. More specifically, this chapter reaches a number of major conclusions in the analysis of the Thai-EU partnership.

The first conclusion is that the EU’s use of its status as a global economic power is highly visible. The provision of GSPs to developing nations such as Thailand can only be given by an economic power such as the EU, and this has created a Thai dependency on the EU market. The Thai government is often troubled by threats to cut EU GSPs, and this has led to heated high level government negotiations with the EU Commission.

Another example of the EU’s economic power is how the EU picks the partnerships it wants and also determines how the partnership is made. Eventually, the EU also draws others to follow trading practices which it finds most comfortable. When the EU was not interested in Thailand as a trading partner, it decided to create the partnership in the form of ASEAN, and later, ASEM. Thailand’s partnership with the EU in these formats may not have been through choice, but rather by necessity. The Thai government, in turn, has been able to exercise its power against the EU’s economic power by making use of multilateral forums such as the WTO and the Cairns group.

The second conclusion is how the EU’s struggle between national and supranational position has been both a problem and a solution for Thai policy-makers. The issue of agricultural quotas, for example, can be explained at both the macro and meso level. While the European Commission may have extended GSPs for Thai agricultural products on a purely philanthropic basis, the French government eventually
played a role in urging the Commission to put a limit on certain Thai agricultural exports such as tapioca. This was also visible in the case of pirated cassette tapes where the cutting of GSPs was also threatened, but eventually resolved through successful negotiations between the Thai Ministry of Commerce and the European Commission.

Both of these sets of conclusions seem to support the 'state-centred' approach to Thai-EU commercial relations outlined in chapter 1; they embody a series of power-related factors, and they point to the adoption of various strategies by the Thai state with the aim of countering the EU's preponderant power. But in chapter 1, it was argued that this may only be part of the story of Thai commercial policy making, and that both the Thai state and the broader policy process might reflect more complex and differentiated forces emanating from the interaction of government departments and commercial entities. The third conclusion is thus that there is a requirement for further detailed case studies on the relationship between the major Thai commercial policy actors themselves, as well as between the Thai actors and the EU, specifically in the critical area of agriculture. The research to date focuses mainly on governments and there is a serious lack of literature with regards to how Thai firms or private consultative committees have tried to gain a competitive edge within the EU's space for competition. This has clearly happened to some degree, since the EU is Thailand's third largest market and a significant trade partner. The case studies in chapters 3-4 will provide further information on the major actors in Thai-EU commercial relations, and in particular form the basis for an evaluation in terms of corporatist frameworks.
Chapter 3
Thai Governments and Commercial Policy-Making
Towards the EU

Introduction

An understanding of the manner in which Thailand deals with its commercial relationships relies very strongly on the manner in which the Thai state designs its commercial policy for its trade with the EU. An analysis of the Thai state, comprising of the Thai government, the Ministry of Foreign Affairs, and the Ministry of Commerce covers the most important governmental actors in the Thai state policy-making process. In the process of modernisation, Thailand’s commercial strategies have continued to be very strongly led by state mechanisms, and a systematic analysis of the Thai state’s strategy in dealing with the EU will contribute to the overall comprehension of Thailand’s commercial dealings with the EU. In particular, it will throw light on the ‘state-centred’ approaches outlined in chapter 1 towards the study of commercial policy-making.

This Chapter firstly makes use of existing literature on Thai politics and Thai political economy to describe the Thai state’s progress from the 1980s onwards. In the subsequent sections, this Chapter draws on elite interviews with top Thai bureaucrats involved in Thailand’s external commercial policy-making in the past few years. The interviews have been designed to extract the importance of Thai state agencies and individual state actors in order to gauge the role of the Thai state agencies in government and commercial policy-making with the EU.

The first section of this Chapter aims to cover the main actors involved in the Thai state policy-making process. This covers the various governments which have played roles in Thailand’s international commercial strategy starting from 1980 when international trade began to gain significant momentum in Thailand. The analysis will
also extensively cover the Thai Ministry of Foreign Affairs, which has been charged with the duty of conducting Thai diplomacy towards the EU, a lot of which concerns international negotiations, legislation, and dialogue. The role of the Thai Ministry of Commerce, directly involved in Thailand’s external commercial policy is also analysed in order to comprehensively assess the manner in which Thailand’s international commercial strategy has developed. These three agencies, the Thai government, the MFA, and the MOC are considered to be the spearhead of Thai external commercial policy and an assessment of these actors will go a long way into explaining Thailand’s overall strategy as well as specific actions over the years. We would also expect the EU’s policy to recognise the Thai state agencies’ importance, and for EU strategy to reflect the importance of these Thai state agencies. The interaction between these agencies will also be examined to see how the actors coordinate in order to achieve a common state strategy for Thailand.

The second section of this Chapter deals with the Thai state agencies’ interaction with the EU and the agencies’ reaction to this interaction. This includes an analysis of how the Thai state handles each of the relations and policy areas and problems or opportunities as perceived by the Thai state so far. This section is based on elite interviews with senior officials within the MFA and the MOC and is aimed at giving a more in depth insight into the current trade relationship between Thailand and the EU. An analysis is later made on the Thai state strategies as well as any external factors affecting the strategy and outcomes in relation to the EU.

The final part of this Chapter observes a sample of empirical issue areas. This is divided into three issues, including the GSP battles, the NTB battles and the bilateral and multilateral pursuit of Thailand-EU trade relations. This part is aimed at providing empirical evidence of major events featuring the Thai state agencies in their interaction with the EU, particularly in areas concerning trade policy. It is also aimed at highlighting the roles of each of the Thai state agencies, the Thai policy-making process in commercial strategy, their interaction with each other, and their interaction with the EU institutions.
Main actors in Thai state policy-making

This section argues that for the purposes of the analysis here, the Thai state can be divided into the government level and the state agency levels. The government's main policy making unit is the cabinet and the parliament, and this section further clarifies how the Thai government can determine Thailand's policy direction. The state agency consists of Thailand's bureaucratic units run by civil servants who usually maintain their positions for long periods at a time. This section goes on to examine what kind of role the state agencies, particularly the MFA and the MOC, have for Thailand's external commercial policy-making and argues that the role of these state agencies is actually most important when the Thai state as an actor is considered.

The Thai Government: Determining Policy Direction

It is accepted almost without question that policies in Thailand are bound to change with the arrival of each newly elected government (Chumpol, 1985: 114). Thailand's politics since the 1980s has experienced very few periods of stability, particularly after the departure of the very popular former Prime Minister General Prem Tinsulanonda, who was in position from 1980 to 1988. Ever since, Thailand's experience with Prime Ministers has not been a very positive one, with each of the subsequent governments either disgraced by corruption or in the case of Chuan Leekpai's first term downfall, heavy vote-buying by the incoming government (Pongmukkapat, 1993: 73). Government incompetence during the Chavalit government also fed fuel to the pending Asian Economic Crisis in 1997 and the turmoil that followed reflected Thailand's early experience with democracy where democratically elected politicians with relatively poor economic knowledge were proven to be unable to handle the economy (Phongpaichit and Baker, 2000: 80).
TABLE 3.1: THAI GOVERNMENTS 1980-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Leader</th>
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<tbody>
<tr>
<td>1980</td>
<td>Prem Tinsulanonda</td>
</tr>
<tr>
<td>1988</td>
<td>Chatichai Choonhavan</td>
</tr>
<tr>
<td>1991</td>
<td>Anand Panyarachan</td>
</tr>
<tr>
<td>1992</td>
<td>Chuan Leekpai</td>
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<tr>
<td>1995</td>
<td>Banharn Silpa-archa</td>
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<tr>
<td>1996</td>
<td>Chavalit Yongchaiyudh</td>
</tr>
<tr>
<td>1997</td>
<td>Chuan Leekpai</td>
</tr>
<tr>
<td>2001-2006</td>
<td>Thaksin Shinawatra</td>
</tr>
</tbody>
</table>

The government (here understood as the elected or other appointed political leadership) is certainly one of the most important actors in commercial policy making in Thailand. Each important level in making policy has been directly and indirectly influenced by the government. Significantly, the importance of each government’s roles may increase or decrease by the difference of attitudes and interests of the government in that period of time. In each era of Thai governments, it is quite clear that the strategic character transfers into commercial policy. The role of government in commercial policy has grown into an era of ‘politico-business’ which means politico-businessmen enter politics with the aim of using politics as their stepping-stone to achieve their business purpose (Wingfield, 2002:250-255).

General Prem’s rule from 1980 to 1988 was perhaps one of Thailand’s most stable and productive years. (Interview: 26) This was a period when Thailand’s GDP rose by close to 10 percent per year and Thailand seemed to be on the way to rapid industrialisation. Exports and tourism became Thailand’s major earners, with the country quickly becoming a force in exports of manufactured goods such as computer parts, textiles, and footwear, a trend which saw the relative decline of traditional exports such as rice, rubber and tin (Interview: 10).

Exports may have been on the rise, but in an era when the Thai government was highly unfamiliar with international trade, the Prem government went along with its instincts to set up a number of trade barriers which would protect Thailand’s fledgling
industries. This included impositions of import taxes which discouraged importers from importing any products which might harm local industries (Interview: 26).

According to Thai Banker’s Association Secretary General, under the governance of Prime minister Prem Thailand experienced one of the cleanest political periods and also saw the beginning of a commercial policy which focused on exports. An insightful move from a military government which was admittedly inexperienced in the commercial area the Prem government established an Associated Committee from the private sector in order to expand their knowledge and allow the government sector to understand international trade from the perspectives of the private sector. The Associated Committee, therefore, was a representation from the private sector and had a main role in commercial policy making with private sector. Moreover, that was the first time that the Thai private sector and the government had joined hands in creating commercial policies (Interview: 26).

At this period, bureaucratic arms of the government were given a free reign to conduct policies as they wished. According to Hewison, Prem’s government strengthened the links between technocrats and metropolitcan businessmen. Meanwhile, peasants and elite bureaucrats remained important in the political economy (Hewison 1997: 27). This may have been attributable to the relative inexperience in dealing with international trade of the military government as well as the knowledge that this was Thailand’s first venture in the world of international trade. Meanwhile, it is also true that although Thailand’s economic success was relatively assured, continued progress was not yet guaranteed. Another suggestion is that General Prem’s government might have been merely fortunate enough to reap the gains of the economic progress which was proliferating in East and Southeast Asia between 1980 and 1988.

It appeared that towards the end of the Prem Government, the people of Thailand were getting ready for a more democratic government. After a succession of unsuccessful coups, General Prem stepped down and allowed for new elections which brought about the short, but strongly controversial rule of General Chatichai Choonhavan, Thailand’s first democratically elected leader. This was a period where the military general advocated the policy of ‘Changing the Battlefield to a Commercial Field’ (Udomvit, 1993, 254). This policy prompted extremely aggressive tactics to draw in foreign direct
investment, a process which eventually led to a strong boom in the property market. There are indications that historically, Thailand’s economic planning followed the Harrod-Domar model, which put a strong emphasis on capital and a strong foreign currency reserve (Nartsupha 1973: 100). General Chatichai urged all bureaucratic units to put a strong emphasis on attracting foreign investors as well as exploiting the opportunity to increase trade between Thailand and any interested counterparts. It was rather clear at this stage that the advocated policies were unsustainable (Pongmukkapat, 1993:109). These unfettered capitalist and often incompetently implemented policies coupled with General Chatichai’s corruption scandals, eventually led to a military coup which initiated a period of serious political uncertainty and later led to the establishment of Anand Panyarachun as a royally appointed Prime Minister (Chai, 2005:31).

While Prime Minister Anand was responsible for several domestic economic and political reforms, his leadership was only temporary and did not result in any far-reaching consequences for Thailand’s international trade policy. This period, however, did signify the end of Thailand’s strong emphasis on capitalism, although a culture of drawing in foreign direct investment in areas which would not sustain Thailand’s industrial growth continued. Anand did encourage a liberalisation of the trade system, although the effects were unclear (Chai, 2005:48).

The eventual election of Thailand’s first civilian Prime Minister Chuan Leekpai marked a period of relative stability for Thailand although his government’s notoriously slow working style became an irritation for bureaucrats and businessmen alike. Apart from being slow and indecisive, the Chuan government was also considered to have initiated rather ineffective policies. The character and personality of this government was inevitably transferred to the culture in ministries, resulting in the beginning of notorious red tape in the Thai bureaucracy. Regulations and cultures of various ministries became an obstacle to effective policy-making, especially to the speed of decision-making.. According to a number of observers, the Chuan government’s indecisiveness and ineffectiveness was reflected in the policies made during this period (Panichapak 2003, Chai, 2005).

However, under Chuan’s governance, he initiated the Asian Promotion Centre on Trade, Investment and Tourism by seeking assistance from Japanese government.
Moreover, for the benefit of the farmers nationwide, he proposed the reduction of the export tariff on agricultural production of export tariff on in July 1991. As a result of this initiative, farmers have gained some strong benefits from the policies (Farmers News, May 1993).

Chuan’s slow working style, coupled with aggressive vote-buying tactics by the Chat Thai party led by Banharn Silpa-archa, led to Banham’s eventual short rule as Prime Minister. It was quite clear that Banharn was merely a provincial leader with extremely limited knowledge of national governance, let alone international trade. His short period as Prime Minister led to the eventual demise of his party and the election of General Chavalit Yongchaiyudh as Prime Minister in 1996 (Phongpaichit and Baker, 1998). General Chavalit proved to be no more knowledgeable than his predecessor and an extremely flawed decision-making process led to the attack on the Thai baht in 1997. A fumble by the Thai Ministry of Finance, which decided to try to defend the baht instead of floating it led to the collapse of the Thai economy and started off the 1997 Asian Economic Crisis (Phongpaichit, 2000). After the Asian economic crisis, Chuan Leekpai was begrudgingly re-elected as Prime Minister again by a public left with few other options, and a process of economic reform was initiated (Chai, 2005).

The period of 1992 to 1997 was clearly a challenging experience in democracy for Thailand and did not seem to bring many benefits to the Thai public sector. Ministries were left without clear policy directions and allowed to initiate policies without due consultation with the ruling governments (Laird, 2000, 231). A culture of slow and indecisive policy-making was also established due to the ruling governments during this period. This was all to change after telecommunications tycoon Thaksin Shinawatra was elected Prime Minister in 2001 (Hogue, 2002, 54).

The Thai government sector experienced dramatic change again under the government of Prime minister Thaksin Shinawatra. According to the interview with the MFA Officers, this government has been known as a government who runs the country like its own firm. Most of leaders in this government consisted of business people. Therefore, their work culture has proven to be similar to the private sector rather than government sector in the past. The system and work process was fully redesigned in a limited time, and there was a process of restructuring for all ministries.
According to officer of Ministry of Foreign Affair (Interview: 1), in the government of Chuan Leekpai, there was established a ‘Team Thailand’ responsible for foreign affairs. Team Thailand consisted of permanent officers from the MFA, the MOC, the MOA, and the MOI. All officers from this team normally coordinated on foreign affairs, but this pattern of work tightened links between ministries and was more systematic. The work pattern of team Thailand was continuously followed during the period of the Thaksin government. There were significant changes under this government as the primary decision-making powers were granted to the MFA. Moreover, the perspective regarding the role of each officer in the team was changed to become more commercial. Diplomats from the MFA in the team were seen as the chair of a company while officials from other ministries were executives and the process of creating policies and plans was viewed in the same way as companies’ strategies (Interview: 1).

While a new experience for Thailand, Prime Minister Thaksin’s CEO style may have resulted to be as much a hindrance as it has been beneficial. Immense pressure was put on senior government officials to monitor all work and policy implementation. Policy during this government, therefore, was quickly processed and its effectiveness increased. However, the strong character and reputation of new forms of corruption from this government made a number permanent officers of government ministries oppose the government. Thai governmental politics towards 2005 thus interfered with the system and structure which had recently been redesigned, resulting in the delay of several planned policies as well as more politicisation of the process (Interview: 4, 6).

**The Thai Civil Service: Policy-making and Policy Implementation**

A common observation among Thai political scientists is that while politicians, prime ministers and cabinets come and go, the civil servants remain in place more or less permanently. There have been indications, particularly during the relatively indecisive and ineffective governments of the 90s, that civil servants were a far more potent force than politicians (Pongmukkapat, 1993, 95). Elite civil servants were accepted as policymakers with more specialised knowledge of their policy areas and were given a rather
free hand in conducting external commercial policy in any way which seemed suitable. With this perspective, the roles of Thai civil servants in the MFA and the MOC are extremely important in ensuring the continuity of Thailand’s international trade policy. These two ministries are considered to be Thailand’s primary link to the outside world and are held in extremely high regard by both the government agencies in Thailand as well as outsiders in contact with Thailand (Panichapak, 2003, Tanapornpan, 1989).

This section includes an evaluation of the MFA and the MOC’s most important operational features in an attempt to assess the bureaucratic side of Thailand’s governmental policy-making process. The first feature is the organizational structure and policy-making process of the two civil service organizations. This will assist in the understanding of the MFA and MOC’s means of dealing with external trade relations. Secondly, the section discusses the development of the MFA and MOC’s working and organisational culture (Wannakij 2004). The MFA and the MOC are considered to be two of Thailand’s most prestigious organizations, and an understanding of the working culture and mentality of these two organizations is necessary for a better evaluation of its policy-making process (Interview:17). To this effect, this research also makes use of elite interviews from senior officials in the MFA and the MOC to assess the current status of the relationship between Thailand and the EU.

The Ministry of Foreign Affairs is the main actor in international trade affairs. They are responsible for all international affairs at the national level. The most significant role of the Ministry of Foreign Affairs is to only focus on international relations (MFA 2005-2006). Most of their roles in the past were linked to traditional diplomacy. Policy making in the area of their responsibility, therefore, was predominantly about political relations rather than international trade relations (Interview: 2, 4, 5, 8).

Nowadays, the role of the Ministry of Foreign Affairs has been changed. Most relations between countries are focused on international trade relation rather than just political relations. The MFA and its officials, therefore, have been re-cultured to have a character of merchant alongside that of diplomat (Interview: 3). Moreover, The MFA has been ranked as the most senior ministry for all international affairs and this also includes international trade (Interview: 2). Therefore, the MFA is the main leader in commercial policy making. Its jurisdiction over international affairs cover all issues at national level
(MFA Dec 2005: 2). All issues at national levels from abroad will thus be passed on to the MFA first and the MFA will analyse and transfer to the relevant ministries. Moreover, in the case of international trade conflicts under the responsibilities of other ministries, the MFA will also act as the most senior ministry to deal with those issues (Interview: 2, 6).

In the process of international commercial policy making, there is a meeting between ministries with the Associated Committee of private sectors under the lead of the MFA. All other ministries will conclude the direction and strategies for policy and the MFA will collect all suggestions and process them into international trade policies. Furthermore, the MFA is also responsible for monitoring systems and divisions in other ministries related to international affairs. Therefore, the MFA has the power in managing those divisions to shape their activities towards the policy direction that the MFA and the government wants to pursue (Interview: 6).

Moreover, the MFA is also working for the MOC in order to encourage a better working atmosphere in international relations. It can be stated that most of the work related to detail and the content of external commercial policy is the MOC’s responsibility, while the MFA is responsible for a higher level including issues concerning principles, rationales, and regulations. The MFA is also responsible for all bilateral agreements, which are considered a key aspect of international affairs. The MFA, which is responsible for principles, rationales, and regulations, will study any proposed agreement in the first place before passing this to the MOC in order to analyse the content and then send back to the MFA again to get the final approval from the senior ministers at the MFA (Interview: 13).

The Department of European Affairs at the Thai MFA is thus officially Thailand’s chief contact for European affairs. This department is divided into the Secretariat to the department, Division I (EC and Western Europe), Division II (Northern and Southern Europe) and Division III (Central and Eastern Europe). Through this organisational logic, most affairs dealing with the EU are expected to primarily go through Division I. Division I itself is divided into bilateral affairs, EC affairs, and ASEM affairs. This particular division contains a total of nine diplomatic officials, and this is divided into
four, two, and three officials in the bilateral, EC, and ASEM affairs divisions respectively (Interview: 14).

It is apparent that charging Division I alone with responsibility for EU affairs is impractical, particularly due to the limited personnel dealing with rather complicated issues. As such, Division II and Division III, although not specified as responsible for EC affairs, also deal with any issues arising from the EU. In fact, a lot of the bilateral work in Division II and Division III is strongly related to the EU. Although there are very clear divisions and allocations of responsibility, all divisions work in the same office area and coordination is expected between all divisions. These divisions are overseen by the Secretariat under the authority of the Director-General of European Affairs (Interview: 22).

In addition to this, Thailand’s foreign mission to Brussels is also considered one of the most high priority posts in the MFA’s profile of foreign missions (Interview: 25). This mission includes 11 diplomats ranked at every level from three second secretaries, three first secretaries, one counsellor, two minister counsellors, one minister, and an ambassador. It should be noted that foreign missions with such a comprehensive workforce are only present in countries where Thailand attaches the highest importance to relations. The Brussels mission is classified by the MFA as a multilateral post, along with its New York and Geneva posts, meaning that the MFA expects the Brussels mission to deal strongly in multilateral issues (Interview: 25). The duty of the Thai Brussels mission is to pass on information on a day to day basis to the MFA as well as to act as a middle person between the institutions of the EU and the Thai MFA in any political, economic or social issues arising between the two.

The Ministry of Commerce is the main key to commercial policy-making in Thailand, and deals much more specifically with the technical side of Thailand’s external commercial policy-making. It has some similarities with the MFA’s roles, but covers more technocratic issues than the MFA’s generally more diplomatic role. Moreover, when considering the process of policy making, the MOC is responsible for the technical detail of the policy and how the policy will specifically be put into implementation (Interview: 15, 16). The main role of the MOC covers all trade areas which means the
MOC has a role in networking with other ministries which may have concerns touching upon Thai-EU relations (Interview: 13).

The MOC is potentially as important a body in negotiation with the EU as the MFA, since the overwhelming priority in Thailand’s relationship with EU is mostly based on trade. The MOC, therefore, is responsible for the negotiation process which covers mainly technical issues such as GSP, product requirements, and production standards (Interview: 15, 16). Therefore, the MOC’s role in contacting with other ministries is very significant since work on technical details may require specialists such as officials from the Ministry of Industry or Ministry of Agriculture (Interview: 6, 7, 8).

Moreover, the MOC is also responsible for the connections between government, companies and related trade organizations. One of the main roles which distinguishes the MOC from the MFA is the MOC’s duty in connecting the government sector to the private sector (Interview: 6, 13). Therefore, the MOC also corresponds with firms in order to tighten the international relations between the firm and the EU. The MOC is also responsible for monitoring the firms and urging each of the Thai firms to strictly adhere to EU regulations as detailed in technical negotiations (Interview: 26, 6).

Furthermore, one of the main duties of the MOC is promoting international trade. The MOC is also responsible in connecting Thai firms and foreign firms together through activities and events. The primary department responsible for this is the Department of Export Promotion which is a very large organization in itself. The DEP deals with all aspects of export promotion, and also includes a few personnel from the Office of International Trade Marketing which deals specifically with export promotion to the EU. This office branches out from the demand and services section of the DEP (Interview: 15, 16).

The government, the MFA and the MOC appear to have their own roles in dealing with Thailand trade policy towards the EU. In order to analyse the ongoing trade relationship between Thailand and the EU, this research makes use of elite interviews conducted within the MFA and the MOC to gauge the advances or problems which exist in the different organizations dealing with the EU.

First let us look at the MFA. Politics in Thailand has had a significant impact on the working culture in the Ministry since the Thaksin government has given more power to the
MFA in dealing with other countries than any government in the past. The MFA claimed that this has helped all international negotiations to become more diplomatic and more successful. However, this point has raised an important question: might the change of working culture between ministries become an obstacle or create conflicts in the view of other main players, such as the Department of Trade Negotiation and the Department of Foreign Trade of the MOC (Interview: 6, 13).

One of the main themes arising from this research is the manner in which the work of various Thai stage agencies overlaps. As such the task of verifying who to talk to when dealing with Thai commercial policy might be just as complicated as when an international actor tries to talk to the EU. MFA officials claim they are the most important actor in negotiations with the EU since they are responsible for the main decisions while the MOC has a secondary role as a technical information provider for the details in negotiation (Interview:1, 3). The MFA is responsible for the general and main picture of any negotiation, which can be considered as the strategic level level (Tanapornpan 1989:154 and Interview: 1). In terms specifically of Thai-EU relations negotiations mostly take place between the senior officials of MFA and DG Trade from the EU. In the process of negotiation, the MFA will co-ordinate with the MOC in order to get technical details on the topic of negotiations such as customs details, product standards and product specifications (Interview:1, 6 ). This creates a potential tension with the MOC, given that MOC prefer to be seen as the most important actor, and that technical details will often be crucial in giving directions to the MFA on how they should react and decide in negotiations (Interview:1).

Another main theme arising from the interviews conducted with senior officials in the MFA and the MOC is that cultural differences within the organizations often have an impact on policy-making. The MOC claims that the personality of the MOC is less flexible than the MFA and the MOC is the most important body in negotiation with the EU as much as MFA (Interview: 6). MOC is responsible for negotiation which centre on technical issues such as GSP, product requirements, and production standards. The MOC is also responsible for the connection between governments, companies and related trade organizations. Moreover, all international trade strategies and activities both in Thailand and in the EU are under the responsibility of this ministry (Interview: 6 and Tanapornpan
The MOC, therefore, is the ministry which interacts with all levels of policy-making.

Moreover, Thailand has not especially designed any system or organization to support trading with the EU (Interview: 10). Therefore, formulating trade strategies and solving the problems that might occur in trading with the EU has been done traditionally through Government ministries and the normal systems adopted for trading with foreign countries. These have created several problems for Thai exporters because the traditional process could take a very long time to produce and communicate decisions (Interview: 10). Thus, the Thaksin government aimed to redesign the system to facilitate trading with foreign countries, including the EU (Interview: 26). For instance, as already noted, the personality of the MFA is required to be more like that of a merchant rather than just being a polite diplomat (Interview: 26, 23). This has facilitated work with the MOC well since the MFA will be able to understand the importance of the role of the MOC better than the past. From the interviews conducted, the effects of this strategic change implemented by the Thaksin government have not been in place long enough to determine any specific changes, although one might expect that the MFA and the MOC could be engaged in further competition due to their increasingly overlapping roles.

Furthermore, there have been initiatives to establish centres which will facilitate Thai exporters in trading with the EU. This includes the One Stop Service, which has the role of an association for Thai exporters to the EU. This centre will help all Thai exporters communicate with each other and to Thai government divisions more easily (Interview: 22).

While the MFA and the MOC appear to be the main contacts for those dealing with Thailand’s international commercial policies, the Ministry of Agriculture also plays a role in sharing expertise with MFA and the MOC (Interview: 31). The MOA is responsible for the technical details relating to agricultural products, one of Thailand’s major exports (see Chapter 2). The MOA therefore has an important role in the relationship between the EU and Thailand. They have a role to protect the benefit of Thai farmers by joining some negotiations and providing technical details for the MOC and the MFA (Interview: 31, 32). Moreover, most negotiations resulting in sensitive areas (agricultural products) will be studied and interpreted and implemented by the MOA before transferring the
information to other organizations. Agriculture has been one of the most problematic areas in Thailand's conduct of trade relations with the EU, hence the MOA's expertise has turned out to be indispensable (Interview: 6,8).

The Thai State relations with the EU in Context

A number of problems continue to exist in Thailand's trade with the EU. As noted in chapter 2, Thailand has faced difficulties, especially in the sector of agricultural products. According to indications from senior officials at the MFA, the EU market is a high value market with complex rules and requirement such as NTB, life and safety of workers, quality control in production, and testability rules (Interview: 13). These requirements have added to the costs of production and investment which have also created difficulties for Thai exporter as well. Thai exporters have faced high costs in shipping to the EU since the products have to be shipped to one port in the first place (for some products) then transferred again to the final destination for each product. One means of reducing some of the barriers is a barter trade strategy; such a strategy has recently helped Thailand to evade quota limits on imports in The EU. The countries with which Thailand has entered into barter trade are the United Kingdom and Sweden. The barter trade with these two countries aims to reduce the Thai surplus of chicken by exchange with arms. This strategy has also tightened the relationship between Thailand and the countries Thailand has had barter trade with (Thairath 8th Nov 2005: 3).

However, EU regulations are still a crucial barrier for Thai exporters since the number of rules has continually increased (Interview: 3 and Interview: 24). In the meantime, Thai exporters have been slow to adapt. The Thai government, therefore, has tried to have the EU agree on a MRA (mutual recognition agreement) (Interview: 13). The MRA is an agreement on Thai product standards which Thailand wants the EU to accept as a universal standard for Thai exporters who want to export to the EU. Thailand is still in the process of negotiating on this issue, but current opinion among officials is that this is very unlikely to be resolved (Interview:23).
The MFA has also found that communication and negotiations with the EU are complicated and time consuming since the EU has a system of multi-level governance; the increased number of members after the 2004 enlargement has slowed down the process (Interview: 1, 3). A very specific example is the manner in which recent negotiations on bilateral agreements for the EU and Thailand could not be concluded since the new members from the latest enlargement asserted their right to be a part of the negotiation process (Interview: 1, 2). Senior officials from the MFA pointed out that the relationship and the commercial partnership between the EU and Thailand could be improved (Interview: 1, 3). At the moment, however, networking and connection of Thailand with other countries is not considered to be strong enough. This puts Thailand at a disadvantage against Singapore which sometimes does not produce products in specific sectors, but has been successful in finding connections to source those products from other countries in Asia (Interview: 2). This can contribute to increasing exports to a much larger extent than Thailand. Moreover, Thailand does not employ active lobbyists within the EU even despite the fact that there are lobbyists for Thai companies in the USA and other regions (Interview: 6). One possible compensation for these weaknesses is that the Thai government has a good coordination strategy between MOC and MFA which has helped negotiations with the EU become more successful. For example, when the MOC needs to negotiate on some issues, the MFA will help to facilitate the negotiation of the MOC by lobbying at a high level within the EU institutions (Interview: 31).

The MOC has experienced similar problems to the MFA in Thailand’s relationship with the EU. Although there is a Commerce Minister Counsellor’s office in Brussels, Thailand has Commerce Minister Counsellor offices in only some individual countries in the EU. Some important Commerce Minister Counsellor offices such as the one in Sweden have been closed down since the Thai government reduced its budget (Interview: 6). This has decreased the chance for Thai companies to find ways to target their exports on some specific countries. Also, sometimes the MOC has been guilty of delaying the trade policy process when trade issues have emerged in relation to specific EU Member States (Interview: 27). The net result is that Thailand’s strategies have been largely limited to dealing with the EU collectively in Brussels, while strategies with individual EU member states are often difficult.
It may come as a blow to the Thai-EU commercial relationship that drawing towards 2005, Thailand has begun to pay more attention to the ASEAN market than the EU market. This has had an impact on the Thai strategy towards the EU which has slowed down and become less active (Interview: 22, 24). The market purchasing power within the ASEAN is stronger than the past. The EU’s tight rules, complexity and dynamics from the enlargement have created a feeling of instability towards Thailand and Thai companies. Thailand and Thai companies, therefore, are aiming to be more self-reliant and looking for alternative strong markets such as those available in ASEAN (Interview: 1, 3). The closer and more solid relationship between Thailand and ASEAN has given Thailand stronger power in the WTO and a clearer presence in the world market. Thailand’s focus on ASEAN inevitably has consequences for the organisation of trade policy towards the EU, since it draws already limited personnel away from divisions which focus on trade relations with the EU towards those working on relations with ASEAN. An example is the manner in which divisions within the MFA focused on ASEAN are usually much larger than those dealing with the EU.

On the other hand, strong export business sectors in Thailand, such as electrical parts, is the business sector within the EU which is not very competitive (Hormkoson 2002:67). This has increased the chance for Thailand to be able to compete within the EU through these business sectors. These sectors include those such as computer parts and office appliances. Thailand still has a channel to compete with China within the EU by maintaining better networking and relationships. Officials at the MOC warn that the emergence of China onto the world market can be a threat to countries like Thailand, especially in the area of food products. Better networking and relationships with the EU help to maintain the channel to the EU market although many Thai products have less competitive prices compared to China (Interview: 6, Hormkoson 2002: 89). This is an issue addressed in Chapter 4, when this research focuses on firm strategies within Thailand’s trade policies.

The re-positioning strategy of Thai product has widened the chance to compete within the EU market. The emergence of China has come with price cutting competition. Thailand, therefore, has re-positioned its products to target more sophisticated markets. For instance, Thailand has now aimed to focus on producing ready food rather than just
exporting raw food or raw material. This strategy has brought Thailand to a higher level market where the competition is less fierce and the chance to remain in the market is more stable. Consequently, this means that Thailand’s products are better suited to the required high standards the EU insists on their imports (Interview: 27, 28, 6 and Hormkoson 2002: 89).

Other positive developments have also been evident in Thailand’s trade with the EU, according to the MFA and the MOC. The trading situation with the EU has improved in a positive way after Thailand has regained GSP for some sensitive products such as shrimps (Interview: 27, 28, 13). Moreover, an enlargement which could have caused the EU to decrease some import products from outsiders, has not changed the situation as previously predicted. Thailand can still export to the EU at the same level and actually 2-5% more in some areas. Furthermore, there have not been any other impacts from the enlargement on trading between the EU and Thailand (Interview: 13). Officials from the MOC have remarked that while some areas of development in trade between Thailand and the EU are apparent, there has not been any obvious changes over the recent period or even after the enlargement. Previously, Thailand had predicted that the EU market might become more self-sufficient and an even more powerful market. This, therefore, may decrease the power of Thailand in negotiation. Thus, Thailand’s future strategy aims to become more self-reliant on its own economy (Interview: 26, 1).

Shrimp GSP battles

An area which has been extremely sensitive in Thai-EU trade, as mentioned in Chapter 2, is the issue of the shrimp GSP battles. In the past, the EU was one of Thailand’s major markets for shrimp products. Before 1997, Thailand had greatly benefited from the GSP offered by the European Union and with the support offered by the GSP scheme, Thai exporters were able to sell their shrimp products to the European Union at a lowered tariff rate. The benefit helped reduce their production costs and enhance the country’s competitiveness. It also attracted more investment and generated more jobs in other
industries, such as food production and the manufacturing of leather, jewellery, furniture, electronics, and electrical appliances.

In 1997, Thailand’s shrimp industry was hit by a cut of 50% in shrimp exports due to Thailand’s economy being qualified for a graduation⁹ in 9 sectors from the EU’s GSP scheme (MOC Strategy Paper: 2001). This resulted in a loss of Bt10 billion of income in 1999 and saw the quantity of exports to the EU falling from 32,866 tonnes in 1995 to only 5,181 tonnes, a reduction of 84.24 percent. As an additional result, Thai shrimp exports to the EU market accounted for only 2 percent of Thailand’s total shrimp exports. In 1998, Thai shrimp exports to the European Union totalled US$5 million. The figure dropped to only .7 million in 2004 (thailand.prd.go.th¹⁰). Thailand’s competitive advantage in the world market was being hit by tariff breaks and privileges which had already been taken away from Thailand in 1999. Thailand has attacked the EU’s system for consideration of GSP as unequal and discriminatory under trade laws because the other large exporters of shrimp including Ecuador, India, Bangladesh and Indonesia continued to retain GSP privileges and benefits whilst Thailand was penalised (Bangkok Post 16th Oct. 2002:6). There were also reasons to believe that the withdrawal of GSP privileges might not have been for purely regulatory reasons. Calls from the head of the Thai Marine Shrimp Association indicated that due to Thailand’s extremely high shrimp export potential, the EU had been planning the GSP cuts since 1995 to protect European industries. It is perhaps no coincidence that along with the 1997 GSP cut, the US and Japan also improvised similar measures to reduce the export of Thai shrimp to their respective countries. On the other hand, as mentioned in Chapter 2, some of the EU’s embargoes on Thai shrimp have been due to proven health and safety concerns and problems concerning the traceability of the shrimp.

This caused anxiety within the shrimp farmers in Thailand and exporters subsequently called for a boycott starting in January 1997 on EU products such as French wine, Scotch whisky, and milk from Denmark, Ireland, and the Netherlands. In December 1996, the Thai association of shrimp exporters also called for the suspension of Airbus airplanes from Germany and Belgium (Shrimp Sentinel Online 1997). The

⁹ A ‘graduation’ from the GSP scheme, refers to a product’s sufficient competitiveness within the EU market, and normally means that the product no longer qualifies for GSP privileges.
¹⁰ http://thailand.prd.go.th
powerful CP group also made a decision to cancel its imports of aquatic feed from the EU typically used for its aquacultural operations (Shrimp Sentinel Online 1997).

At this stage, it was rather clear that the Thai government was obliged to find a serious solution, particularly because the GSP cut had so drastically affected the Thai shrimp industry (Interview: 1, 6). The EU’s decision to cut Thai GSP on shrimp had turned into a major crisis between Thailand and the EU’s trading regime and had caused serious anti-European sentiment in Thailand (Interview: 26). To make matters worse, this came only slightly before the Asian economic crisis and the bust of the Thai economy, which added further complications to the trade conflict. One of the most salient points is how the weakened Thai baht contributed to an ever widening trade gap between Thailand and the EU, giving the Europeans a further reason not to restore Thailand’s shrimp GSP rights.

The problem of declining shrimp exports started to become very apparent during the Thaksin government, while Commerce Minister Somkid Chatusripitak was steering Thailand’s commerce policy. Shortly after being installed into the cabinet, Somkid urged the Economic Council to find a resolution on restoring Thai shrimp exports, not only to the EU, but also to the US and Japan (Manager 8th Sep 2005: 9). The Economic Council, consisting of senior officials from the MFA, the MOC, and the MOA passed on this task to the respective ministries.

The Economic Council, through the research and advice of primarily the MOA as well as the MOC’s junior officials, concluded that for some countries such as Japan, the provision of stringent standards would go a long way to restoring market access. This was, to some degree also true with the EU, particularly since 2002 when the EU implemented a zero tolerance food safety policy on Thai shrimp imports after finding chemical contamination in shrimps sent to the Netherlands (Bangkok Post 1st Jan 2003: 11). Chemical contamination and below average standards had been a major obstacle against Thai shrimp exports in the past, and had been held as a main reasons for the imposition of various trade embargoes against Thai shrimp products (Interview: 13). The Fisheries Department of the MOA, for example, had continually urged shrimp farmers and exporters to put an emphasis on farm management to match EU food safety
requirements. The department has also more recently stressed traceability of food products as a mandatory condition for exports to the EU (The Nation 5th May 2006:19).

A very strong conclusion reached primarily by the MOA aided by the MOC in issues concerning commercial regulations was that the GSP cut by the EU was both a trade diversion and a trade reduction tactic. Findings indicated that if the price of frozen shrimp was increased by merely one percent, it would reduce the total exports of Thai frozen shrimp by 3.492 percent. Making use of data, this eventually resulted in the decrease by 20.23 percent over six years in Thailand export of frozen shrimp to the EU (Robroo 2001: 76). The additional knowledge that Thailand's shrimp exports were being taxed at 12 to 14.4 percent compared to only 3.6 to 5 percent of tax by other major shrimp exporters to the EU led the MOA and MOC to conclude that this was unfair and discriminatory treatment.

The MFA played the role of coordinator and lobbyist during this period. While the MOC and the MOA made use of highly specialized and technical expertise, the duty of medium level MFA officials was to coordinate the data and pass the MOC and the MOA's recommendations on to the Cabinet. Its role was also to continually hold talks with EU officials and push on this agenda to various meetings, held at least every two months throughout the period of negotiations. The European Commission, for example, acknowledged that while 74 percent of Thai exports to the EU fell under GSP and 7 percent fell under special arrangements, use of existing preferences had been relatively low. On average, less than half of Thai exports took advantage of the existing preferences. The European Commission also acknowledged that Thailand did not demand a sweeping re-grant of all GSP privileges, but only persistently asked for the return of GSP privileges, specifically in the area of food and fisheries products (Brussels 2002:11).

Currently analysts make little note of how Thai state agencies might have successfully put pressure on the EU for the restoration of GSP privileges in the area of shrimp exports, but these GSP privileges were eventually returned to Thailand in 2005 (Supachai 2006:271). Media reports indicate that the tsunami disaster which hit areas in Asia towards the end of 2004 was the main reason for the restoration of Thai shrimp GSP privileges. This was due to the reason that Thailand's shrimp industry may have been significantly hit during the tsunami disaster (Thairath 30th Jun 2005:7).
In fact, state agencies have played a very strong role in the restoration of Thai shrimp GSP privileges. To begin with, PM Thaksin refused financial assistance from outside countries, instead opting for technical assistance and expertise. During a meeting with British Foreign Minister Jack Straw in Phuket, Thaksin also asked that the UK back Thailand's ongoing request for the restoration of GSP for Thai shrimp exports to the EU (Interview: 27, 28). The Prime Minister said that the request for the restoration of GSP was a call for fair treatment. Straw promised to hold talks with other members of the European Union to resume GSP for Thai shrimp products. At this stage, PM Thaksin admitted that, in fact, the European Union was likely to resume GSP for Thailand, but the request would help in accelerating the EU's decision (Interview: 27, 13).

One of the reasons for Thaksin's quiet confidence was because negotiations behind the scenes between the MFA and the MOC on the one hand and the European Commission on the other hand, had already yielded positive results (Interview: 27, 13). By 2004, Thai shrimp exports to the EU had already fallen to less than 20 percent of the figures Thailand had been exporting just five years before. This was made known to the European Commission by the MFA in no uncertain terms, and continual pressure put on the EU meant that the EU was already in the process of restoring Thailand's shrimp GSP privileges. At that point, the percentage of Thai shrimp exports to the EU had already fallen to a point where shrimp GSP privileges would already be restored regardless of the negotiations, but Thai government agencies contend that without the additional pressure, this would have been delayed for a while longer (Interview: 27, 28).

The EU's decision to grant autonomous measure with regard to the rate of duty on Thai shrimp exports to the EU was made on the 31st of August 2005 and reduced the duty from 12 percent to 4.2 percent. The MFA cited the decision taken by the European Council of Ministers as 'the result of close cooperation between Thailand and the European Union'. The MFA also said that this 'success is attributed to the various steps taken by Thai officials, as well as the Mission of Thailand to the European Communities in Brussels and all Thai embassies in Europe' (www.thailand.prd.go.th). The effects of the autonomous measure on Thai shrimp exports was immediate and exports to the area increased by 211 percent, totalling US$ 11.2 million in the first four months of 2006 (Interview: 27). The outlook is also extremely bullish, with Thai shrimp exporters hoping
to increase their EU market share to 10 percent in the next few years from the current share of less than 1 percent. The Commerce Ministry plans a rise in the country's annual shrimp export volume to 500,000 tonnes, with the EU market accounting for 30,000 tonnes (Interview: 27, 29). Clearly the Thai government units continue to play a role in sustaining this growth, as there have been strategic plans to boost overall exports to Europe. The Commerce Ministry has at present hired a lobbyist to protect Thailand's export benefits. It has also helped in setting up a Thailand-EU Business Council comprising private Thai companies and EU enterprises. To top this off, the Commerce Ministry has additional plans to create links with EU members and to use specific European countries as distribution centres for Thai exports. In addition to this, the MFA has also urged Thai shrimp exporters to diversify their products as well as to focus further on Eastern Europe (The Nation 5th May 2006: 6).

This case study of the shrimp dispute is a useful illustration of the Thai state's role in commercial policy making towards the EU for several reasons. It displays the close coordination between all state agencies ranging from the head of the government to the MFA and the MOC as well as the MOA. The different units have clearly worked in conjunction to bring back GSP privileges the loss of which was regarded as a serious detriment to Thai shrimp exports. It also highlights the different roles the state agencies play, including the negotiation role of the MFA and the lending of technical expertise by the MOC and the MOA. Thaksin as the head of government might have been instrumental in putting further pressure on the EU and could have been the catalyst for the success.

Apart from the perceived success as viewed by the Thai side, this case study might also draw out the limitations of the Thai state agencies in quickly achieving progress in negotiations. The next Chapter indicates that major shrimp exporters, especially the CP Group, have continually noted that even without the help of Thai state agencies, GSP privileges would have been restored in any case due to the very low export share in Thailand's shrimp market in the EU towards the end of 2004. While this case study portrays a sold display of cooperation between the Thai state agencies, the value of the efforts may have been merely to raise awareness of the shrimp export reduction rather than to substantially negotiate for anything. Thai state agencies would however argue that
the restoration of GSP privileges is far from being an automatic process, and without the continual negotiation, dialogue, and political pressure, the GSP privileges would not have been restored so quickly.

**Conclusion**

The arguments in the chapter 3 have raised several significant issues, on the one hand about the nature and role of the Thai state apparatus and on the other about the ways in which it has responded to the demands of Thai-EU commercial relations. The purpose here is to review these issues and then to identify the ways in which they can form the basis for analysis of other actors such as firms and Private Consultative Committees in the next chapter.

First, it can be seen from the evidence in this chapter that Thailand’s governments have had a role in influencing the political environment of Thai-EU trade relations, particularly due to the way they work and the policies which result from the ruling party’s governance mentality. This places Thai governments as important actors, although their significance is limited by the uncertainty of Thailand’s political situation, which throughout the history of modern Thai politics, has seen numerous changes in ruling government coalitions. This clearly results in politically-driven changes in the policy direction as well as complaints from the civil service about the lack of consistent direction. Thailand’s political situation means that there is limited utility in trying to understand the government’s policy directions and that the analysis of Thai external commercial policy-making is perhaps better served by looking at the other main actors such as the civil service, firms, and the PCCs.

Secondly, The MFA has the upper hand over the rest of the ministries in dealing with international trade issues, including Thailand’s trade relations with the EU. It is uncertain whether the relatively small workforce in the MFA is capable enough to handle relatively complex EU affairs. This is potentially an important issue in the analysis of Thai external commercial policy-making since it means that Thailand’s policy direction is not necessarily optimised with thorough and knowledgeable decision-making. This
also means that the MFA may need to borrow expertise from other actors such as the MOC as well as Thai and foreign firms.

Third, the MOC offers indispensable technical expertise and advice before and during negotiations and has a key role in export promotion. In addition, other relevant ministries include the MOA and MOI, which also lend expertise in the area of key exports of agriculture and industrial technologies. The MOC's role has been traditionally overlooked in the past, despite their technical expertise. This is perhaps because the MOC is perceived as only a unit which takes orders from other actors and drafts technical documents accordingly. This research has found that this is an underestimation of the MOC's importance and that the MOC perceives itself as an important and often independent actor within the Thai external commercial policy-making process.

Fourth, the case study of shrimp GSP shows the relative success in co-ordination between Thai state agencies, although it remains uncertain what the effect and value of this coordination might have been. Was the restoration of GSP automatic, or was it a process of negotiation and pressure? The Thai state agencies would argue the latter while Thai firms such as CP Group argue for the former. The analysis of the role of the firm as an important actor in Thailand’s external commercial policy-making is carried out in further detail in the following Chapter and will help to clarify how firms figure in the policy-making process.

Fifth, the MFA and MOC realise that numerous obstacles stand in the way of optimal Thai-EU trade relations, and this has been reflected in numerous interviews conducted during the research trip in Thailand. This admission of the Thai state's limitations is extremely important in the analysis of Thai external commercial policy-making because it implies that even the seemingly powerful Thai state is incapable of carrying out policy-making and policy direction on its own. This means that the Thai firms and the PCCs could have an important role to play, an issue which is carried forward in the following Chapter.

Overall, the evidence in this chapter has raised important questions about the explanatory power of a 'state-centred' approach to Thai-EU commercial relations, and about the capacity of the Thai state to formulate consistent and effective policy positions. By doing so, it has also raised questions about the ways in which the Thai state and firms
interact within the commercial policy-making process – questions that link back to the corporatist framework outlined in Chapter 1. The purpose of Chapter 4 is to explore the roles of firms and Private Consultative Committees in the commercial policy-making process, and to evaluate their impact upon it.
Chapter 4

Firms, Trade Associations and Thai-EU Commercial Relations

Introduction

The study of governmental policy processes carried out in Chapter 3 is important to understanding the Thai government’s role in commercial policy-making towards the EU, but it only provides a partial explanation of the Thai-EU commercial relationship. More and more, the modern economic world has revealed the increased significance of the private sector. In today’s world, it is not enough to study the old form of state-to-state cooperation. As was pointed out in Chapter 1, the role of the private sector has become very important to the process of policy-making between two partners.

When looking at the commercial relations between partners, it is very important to look at what the private sector wants, and how the government is delivering the demands of the private sector (interview: 10). This view needs to be taken into account, but is not enough for a complete understanding of the Thai-EU commercial relationship. This chapter looks at a more detailed picture of the Thai private sector’s role in dealing with the EU by analyzing how the private sector may act on its own in setting its own goals and achieving these goals. The Thai private sector is analyzed as a powerful actor in its own right, capable of making strategies and influencing government policy to accommodate its own targets. This directly leads to the question of whether state and firm interests are indeed mixed together and whether convergence between the interests of states and firms has become a Thai norm together with Thailand’s modernisation process.

The purpose of this Chapter is thus to support the propositions in Chapter 2 which argue about how the public and private sector either work together, against each other, and individually to create a commercial policy towards the EU. The chapter should also contribute to our further understanding of the extent to which state and firms interests do have a tendency to get mixed together in Thailand, and if this may have some effect on
the Thai-EU commercial relationship. In line with the ideas of corporatism presented in Chapter 2, signs of interest representation from the private sector involved in the policy-making process and interest intermediation between the Thai state and Thai firms should also be present. The analysis of the state sector in Chapter 3 is important to the analysis here, since it indicates that the state itself is not a monolithic entity, and that there are important differences of interest and approach within the governmental structure.

As in chapter 3, this Chapter uses evidence from elite interviews - in this case, of leading members of the Thai private sector - and uses their perceptions to create an understanding of how the Thai private sector deals with the EU in its commercial relations. The questions asked also try to highlight perceptions that Thai private sector representatives have of their own roles. This understanding of roles helps to explain how the private sector may act in developing strategies or influencing state policy. Primary sources such as company brochures or trade representative mission statements are similarly used to further explore perceptions and analyse existing strategies. As well as interviews, some secondary resources such as research on the role of the Thai private sector are also used to support how the Thai private sector has behaved in the past through various commercial engagements with the EU.

The first section of this Chapter explains what is meant by the Thai private sector and which actors may be included. It is proposed that the private sector includes Thai firms exporting to the EU, Private Consultative Committees (Thai Banker’s Association, Industrial Association Federation, Thai Chamber of Commerce), and a range of interest groups. It is not only important to know what the private sector is, but also what their importance is in Thai-EU commercial relations and how they think of the EU. Each of these private sector actors has a role and these roles are important in the analysis and the understanding of the commercial relationship because it may help to explain their strategies in dealing with the EU. The firms which are covered by the analysis of this section include the Charoen Phokapand Food Group, Pak Food Company, and Sanguanwong Starch Group. Private Consultative Committees include the Federation of Trade Industry, the Thai Chamber of Commerce and the Thai Banker’s Association. Interest groups include those at the national/regional level, non-governmental organizations, and vocational groupings.
The second section of this Chapter goes on more closely to examine details of the strategy of the private sector in dealing with the EU's commercial side. This section first examines the business strategies in which firms trade with other firms. Firm strategies analysed in this section include repositioning, match-making, production capabilities, the exercise of lobbying power, and the development of distribution capabilities. These strategies are specifically designed for the EU's unique market and analysis of these strategies will help to further understanding of the Thai-EU commercial partnership. The second part of the section examines the strategies of Private Consultative Committees. This section argues that the committees exist to strengthen linkages between firms and government, maximize Thailand's economic interest, and act as problem mediators.

The third section looks in detail at how the private sector may influence the government sector and does this by exploring two very different channels. One is the regular officially created channels, usually represented by the Private Consultative Committees, supported by the state sector and encouraged for use. The second is the specialised unofficial channels, normally taken by powerful Thai firms, which the private sector may choose to use for several reasons which could include increased efficiency or quicker results. The section looks carefully at both of these channels and evaluates whether they have positive or negative influences on the Thai-EU commercial relationship. This section also examines the policy coordination undertaken by the private sector. The section proposes that this policy coordination contains two levels: primary relationships, which are between the firm and the government, and secondary relationships, which include the 'firm to private consultative committee' and 'private consultative committee to government' relationships. Each of these policy coordination processes is important by itself and significant in bringing about policy results which could significantly affect Thailand's commercial relationship with the outside world.

The Chapter concludes by discussing ways in which the Thai private sector has reacted to the challenge of the EU and 'talks' to a very institutionally unique EU. This is done at a firm-to-firm level, through Private Consultative Committees, and through Thai government lobbying. Each of the main actors studied in the private sector also appears to have its own style and value in dealing with the EU, with the private sector often acting as a self-contained actor, while Private Consultative Committees' roles might be to
provide communication and understanding between the government and firms. Whether the developed role of Thai firms and their influence over the government reflects corporatism is an issue which will be discussed in the Conclusion.

Private Sector Actors and Their Importance in Thai-EU Commercial Relations

When the discussion is focusing on markets and trade, it is perceptible that the actors which will be a crucial centre of the analysis are firms (Laothammathat, 1996). The EU market standards and requirements are high and difficult to meet\(^1\) (also see Chapter 1). Therefore, it might be assumed that most firms could work more effectively with assistance from the government sector. Private Consultative Committees have been assigned by firms and government, also another key factor to analyze since they are a crucial component in trade policy making which connects firms and government together (Sungsuwan, 2000, 2). However, it is important to note that different firms with different capacities and influences have certainly obtained different levels of policy facilitation from the government (interview: 10). Moreover, a more controversial possibility is that there are some firms which have received preferential assistance from government and that some of the company strategies can very closely fit with the policy of the government.

The Thai private sector dealing with the EU can be divided into three main categories. The first category is the multinational Thai firms which deal directly in the business side of Thai EU commercial relations. The second category is the Private Consultative Committees, which consist of Chamber of Commerce in Thailand, Thai Banker's Association, and Industrial Federation Association, groupings of independent business consultants organized to facilitate trade between the firms at both the national and international levels. The third category is the interest groups, which in Thailand

\(^1\) From every interviewee, most notably by Ministry of Foreign Affair, Thai Banker's Association, and Chamber of Commerce
usually consist of ad hoc groupings which are created on a case by case basis to pressure the government to follow some sort of policy (Tarnsettakij 13rd July 2003).

This section proposes to examine three issues. First, the section examines the three main categories of the Thai private sector and explains how they work individually and together in dealing with commercial issues related to the EU. This section secondly tries to differentiate between perceived and de facto roles of each of the categories. This is important in understanding Thai-EU commercial relations because quite often, the perceived role does not quite match the de facto role and creates expectations which are unrealistic or simply erroneous. The final aim of this section is to explain the significance of each of the private sector categories directly in the context of Thai-EU commercial relations.

In Thailand, large firms which are the top of the national level and have international capabilities are normally considered to be the most significant players in the private sector. This Chapter’s case study focuses on Charoen Pokphand Group (CP Group), Pak Food, and Sanguanwong Group which are three companies of varying sizes, but all considered to be significant players in their own right. These three firms are selected as firms whose activities focus largely on agricultural products. In fact, Agricultural products are one of the main product sectors for Thai exports although their total value comes a significant second to industrial products (see table 4.1). However, firms which export mainly agricultural products are very crucial to analyse as their products often fall into sensitive sectors such as poultry, seafood and starch. These three main products have caused a number of trade conflicts between the EU and Thailand for as long as a decade and resulted in creation of tariff barriers such as revoking GSP privileges, contamination issue and avian flu (see chapter 2). Moreover, in Thailand these product sectors have related to large numbers of farmers in Thailand which certainly are the main group politicians try to gain popularity with as they are the largest occupational group in the total population in Thailand. Therefore, several sets of policies have been designed to appeal to these farmers and a number of trade associations have been created to present and protect these farmers interests even though those interests are often mediated through powerful firms (Interview: 49).
TABLE 4.1: Thailand’s Exports by Main Product (Source: Department of Foreign Trade, Ministry of Commerce, Thailand)

<table>
<thead>
<tr>
<th>description</th>
<th>value : million baht</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Total</td>
<td>3,325,630.1</td>
</tr>
<tr>
<td>1. Agricultural products</td>
<td>365,037.5</td>
</tr>
<tr>
<td>2. Agro-industrial products</td>
<td>247,582.4</td>
</tr>
<tr>
<td>3. Principal manufacturing products</td>
<td>2,542,797.9</td>
</tr>
<tr>
<td>4. Mineral products and fuel</td>
<td>95,639.7</td>
</tr>
<tr>
<td>5. Others (eg. special transaction, service etc)</td>
<td>74,572.6</td>
</tr>
</tbody>
</table>

Firms

The CP Food Group is Thailand’s biggest food export firm and has 27,854 Million baht revenues, the highest revenues among all Thai food export firms (Justin, Forbes Magazine: 2006). Moreover, CP is considered as one of the most powerful firms in Thailand since it has been established more than 60 years. CP’s power also derives from a close connection between the firm and governments built for several years and growing stronger (Interview: 48). CP Food also possesses the strongest competence among all
Thai food exporters in exporting agricultural products and food to the European Union (EU) market. The CP Group exports to the EU are third in rank after those to the USA and ASEAN, making the EU its third largest market and amongst these exports poultry is the third largest product category (Interview: 27). The CP group exports more than 25% of its total poultry production in Thailand and exports more than 50% of Thailand’s total processed chicken exports to the EU (CP export report 2006)

**TABLE 4.2:** Thailand’s Major Poultry Exporters to the EU (Source: Department of Foreign Trade, Ministry of Commerce, Thailand: 2007)

<table>
<thead>
<tr>
<th>Major Exporter</th>
<th>2006 Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. C.P. Intergende Co., Ltd.</td>
<td>42,628,071,000 baht</td>
</tr>
<tr>
<td>2. B. Foods Product International Co., Ltd.</td>
<td>9,679,833,993 baht</td>
</tr>
<tr>
<td>3. Saha Farm Co., Ltd</td>
<td>7,641,262,777 baht</td>
</tr>
<tr>
<td>4. GFPT Public Co., Ltd.</td>
<td>3,300,456,173 baht</td>
</tr>
<tr>
<td>5. Better Food Co., Ltd.</td>
<td>765,004,508 baht</td>
</tr>
</tbody>
</table>

The most important markets for CP group poultry exports are countries in the EU as presented in the following chart (table 4.3) which shows the five most important national markets for CP poultry exports. Four members from the list are EU member states. The UK is now the most important national market within the EU, reflecting a move in the past few years to a strategy of product distribution through large supermarket groups such as such as Somerfield, Iceland and Tesco. The level of CP Group poultry exports to the UK has significantly increased over the past few years (interview: 37).
However, shrimp is the individual product which the firm is most concerned about since the quota offered by the EU is very limited and the requirements for entry are extremely high. One of the requirements which has created a barrier and a high cost in production is the Traceability\(^{12}\) (Interview: 50). Nevertheless, CP food has typically exported more than 40% of Thailand's total shrimp exports to the EU. The following table (table 4.4) presents the dramatic increase of shrimp export to the EU after Thailand regained its GSP privileges in 2006. More than 60% of Thai shrimp exports to the EU from 2003-2005 are from the CP group since during the period of GSP withdrawal, it was one of the few exporters that were strong enough to cross the high tariff barrier (Interview: 28).

\(^{12}\) The International Organization for Standardization (ISO) defines traceability as the 'ability to trace the history, application, or location of any entity by means of recorded identification'. This definition is very broad and is intended to be useful in many different sectors of science and industry.
TABLE 4.4: CP’s Shrimp Exports, 2003-2006 (Source: Department of Fisheries, Ministry of Agriculture)

<table>
<thead>
<tr>
<th>Destination</th>
<th>VALUE = Thai Million Baht</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>1. Total</td>
<td>16,140.0</td>
</tr>
<tr>
<td>2. ASEAN</td>
<td>587</td>
</tr>
<tr>
<td>3. EU</td>
<td>138.2</td>
</tr>
<tr>
<td>4. Japan</td>
<td>4,621</td>
</tr>
<tr>
<td>5. USA</td>
<td>9,698</td>
</tr>
</tbody>
</table>

Pak Food is a public limited company which is a substantial exporter of seafood from Thailand. This is not a big company, but has been in business for 38 years. Pak Food considers the EU to be a market which is too highly regulated and not suitable for investment especially since the traceability rules have been reinforced for exporting to the EU. Therefore, in the shrimp product sector, Pak Food has typically exported less than 5% market share of Thailand’s total shrimp export to the EU, amounting by value to only about 39 million baht in 2006 (Interview: 33). In the shrimp industry, Pak Food has had some serious problems with the EU on contamination issues, and has not received any additional help from the Thai government in dealing with problems that EU regulation has presented to the company. Hence, the main Pak Food markets are currently ASEAN, USA, Japan, and the Middle East where the company has had more success in exports. And their main export product to the EU is tuna (Interview: 34).

Sanguanwong Company is one of Asia’s top five exporters of starch and an active exporter to the EU. The firm is a highly respected member of the business sector and accounts for more than 40% of total starch exports to the EU. However, as can be seen from the following table, the level of starch exports to the EU is very low compared to other market destinations. This has been an effect of the removal of GSP privileges during the 1980s which effectively means that the EU is no longer important to Thailand’s starch exporters (interview: 11).
TABLE 4.5: Thailand’s Starch Exports, 2003-2006 (Source: Department of Statistics and Information of Thailand)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7,533.3</td>
<td>8,286.2</td>
<td>9,465.1</td>
<td>13,680.8</td>
</tr>
<tr>
<td>ASEAN</td>
<td>2,865.6</td>
<td>1,782.5</td>
<td>2,872.7</td>
<td>5,274.6</td>
</tr>
<tr>
<td>EU</td>
<td>141.0</td>
<td>212.8</td>
<td>213.2</td>
<td>239.7</td>
</tr>
<tr>
<td>Japan</td>
<td>688.3</td>
<td>1,015.6</td>
<td>762.0</td>
<td>947.3</td>
</tr>
<tr>
<td>USA</td>
<td>233.1</td>
<td>287.2</td>
<td>331.2</td>
<td>262.9</td>
</tr>
</tbody>
</table>

Sanguanwong’s main EU customer base is in Germany. When dealing with the EU, the company mainly exports processed, rather than raw, starch because of the EU’s Common Agricultural Policy (CAP) limits. According to a senior manager, Sanguanwong has a very good relationship with its partner companies in the EU and has maintained a very strong trading record with the EU, at least until the Thaksin government came into power and shifted certain agricultural policies. The company’s ties with EU firms are so strong that it is known to have received direct technical assistance from these European based firms (interview: 11).

These three firms are suitable for this case study because they are three different companies of different sizes and very varied experiences. CP Food Group is a multinational company with very strong ties to the Thai government sector and the ability to strongly influence government policy to suit its goals. Pak Food on the other hand, faces serious problems with dealing with the EU, and has openly complained about not having sufficient support from the Thai government. Additionally, the company seems to not have sufficient pulling power to influence the Thai government to suit their needs. Sanguanwong company, finally, despite its good relationship with the EU in general and with EU partners, has run into problems with government policies which do not facilitate its business. This indicates that problems for Thai firms can come directly
from the EU, from their inability to influence EU policy, and from Thai government policies which may hinder a company’s ability to operate efficiently.

**Private Consultative Committees**

The second category of private sector actors to be examined here are the Private Consultative Committees [which play an important role in Thai-EU commercial relations policy since they are the main key to link firms and the government sector together (Sungsuwan, 2000, 2-7)]. Chapter 3 referred to the Private Consultative Committees as PM General Prem Tinsulanonda’s initiative to provide representation from the private sector (Page 60. They could be seen as serving to strengthen a much needed link between technocrats and metropolitan businessmen (Hewison 1997: 27). The three main Private Consultative Committees in Thailand are The Federation of Thai Industries (FTI) the Thai Chamber of Commerce (TCC), and the Thai Banker’s Association (TBA).

*The Federation of Thai Industries (FTI)*, established in December 1987, is an ‘upgraded body’ of the Association of Thai Industries and acts under the supervision of the Ministry of Industry. This private consultative committee is focused towards strengthening the private sector institutions involved in assisting the industrialization process in Thailand. This involves supporting sustainable growth amongst Thai industries as well as coordinating with the national economic development processes. The FTI also aims at protecting Thailand’s interests in the world economic environment. Officially, the FTI perceive themselves as the main linkage between industrial firms and the government sector (FTI official document, 2005). The FTI has more than 1,000 member firms. According to the organization chart, the green circle represents the position of the firms where they gather as an industrial club (see chart 4.1). In addition to member firms, there are 25 industrial clubs/trade associations within the FTI. The members of the FTI can present themselves more strongly through their club or association. For instance CP Food is an important member of the FTI but since the CP has varied food product, it has joined both the Frozen food Association and Seafood Exporters Association. Firms will present their needs through meetings with the club and the major needs of the club will then be transferred to meetings within the FTI (Pitsamaicha, 2001, 32-35).
From the organization chart, it should be noted that the positions from Executive Director down to all other division heads are occupied by permanent staff. This seems to indicate that the Industrial Clubs (25 industrial clubs) and committees, which are composed of private firms and representatives from private firms, are more powerful in the practical governance system of the FTI since they are at a position higher than the Executive Director (as shown in the chart). This means that they also have the power to intervene in the Executive Director’s decisions at practical levels.

The ‘Assistant Executive Director’ level is the division which mainly deals with EU issues. When members of the industrial clubs face problems in dealing with EU customers about issues which relate to the Thai government sector, they will contact the foreign affairs division of the FTI and the division will forward the issue up to the line to the executive directors meeting which takes place every month. However, if the issue is urgent, the Assistant Executive Director may forward this to the board of directors directly without waiting to follow the normal process (Interview: 17). This can show that
the process is very complicated and multi-layered and even when there is an urgent issue, they still have to go through another process which is also time consuming.

**Chart 4.2: Thai Chamber of Commerce & Board of Trade of Thailand Organization Chart (Official Document from Thai Chamber: 2006)**

*The Thai Chamber of Commerce (TCC) was established in March 1933 by a group of experienced Thai merchants with the view of establishing a central organization to assist Thai merchants and businessmen through intermediation between the government and private sectors. The intent of the founders of the TCC was for the organization to promote businesses and protect interests by improving the competitiveness of Thai firms. In 1966, the Thai government noted the significance of the TCC and established the Chamber of Commerce Act to officially appoint the organization as a representative of the Thai private sector in facilitating cooperation between the government and private institutions in foreign countries. The TCC also has an international face, formed by trade*
The Thai Banker's Association (TBA) consists of representatives from Thailand's commercial banks who regularly meet to discuss and coordinate key economic policies with the Bank of Thailand, the Ministry of Finance and the Ministry of Commerce as
well as a number of other government agencies. Established since 1958, the management consists of an elected Board of Directors, including a Chairman, a vice Chairman, and three directors. The TBA is also in constant collaboration with the Board of Trade and the FTI in establishing a Joint Public-Private Consultative Committee, which deals directly with the government and works towards potentially positive adjustment of government policies or amendments to laws and regulations with a focus on trade and investment (Document presenting from the MOF and interview: 26).

The TBA has broadly the same organization structure as the Thai Chamber of Commerce, but with fewer members. The TBA (chart 4.3) consists of 17 clubs and approximately 80 firms while the TCC has a membership of more than 25 clubs and more than 1000 firms (listed in the green box which is shown in the TCC organization chart). Moreover, the TCC has a more complicated structure as there is not only a larger number of members but also more than 500 staff, while there only 27 staff at the TBA. Furthermore, the main activity of the TCC is also similar to the Department of Trade Promotion of The Ministry of Commerce. Therefore, at the operational level, which is not reflected in the chart, there are more detail of the division which work on trade promotion of export firms, co-operation between firms and problem solving while the TBA mostly focuses only on co-operation between them and MOF and the government, and financial policy making (Interview: 26).

Interest Groups

The third type of private sector actor in Thailand is interest groups, which can be generally divided into three types, including the nationalist-regional group, voluntary non-governmental organizations, and vocational groups (Thepchatree, 2003, 65-70). The two latter groups, particularly the vocational groups, are highly relevant to the Thai-EU commercial relationship. The NGO interest groups are known to be keen admirers of EU legislation, particularly in relation to environmental standards. An example is the manner in which Thai NGOs have backed the EU requirement of Waste Electrical and Electronic Equipment (WEEE), which demands the meeting of certain requirements in destroying
electrical and electronic equipment as well as in recycling (www.tisi.go.th), (Manager 12th-18th July 2006). The WEEE directive to restrict hazardous substances in electrical and electronic equipment and waste electrical and electronic equipment is designed to reduce high technology waste and encourage recycling by the producers13.

The most important type of interest group in Thai-EU commercial relations, due to its constant activism, lobbying and focused goals is professional groups, which can be divided into two categories. The first group consists of low level agricultural groupings such as farmers and blue collar workers. The second group are the trade associations which are formally established and directly lobby the Private Consultative Committees (Interview: 44). On several occasions, the trade associations have also tried to influence the low level agricultural groupings in order to add extra lobbying pressure. The value of the trade associations as powerful interest groups varies according to the size and influence of the firms involved in them. Larger firms such as the CP group rarely use this channel, or any other official channel, to lobby the government (Interview: 49, 50). For the purposes of the argument here, the direct role and influence of interest groups is effectively marginal, and they will not be considered at any length in the following analysis which focuses on firms and the PCCs.

**Private Sector Strategies**

The EU is considered by Thai Government and Thai firms to be a very competitive and demanding market. Thai firms interviewed for this study agree that the EU market has high value, a large demand, and has the potential to expand through processes such as enlargement14. Consequently the Thai private sector has developed numerous strategies to cope with other competitors and with broad regulatory requirements in the EU market. The strategies need to be developed through several simultaneous dimensions which can be used together because exporting firms need to be competitive first at the national level in order to prove that they have standards which qualify at the international level.

14 From all interviewees from firms (The CP, Sanguanwong, Pakfood)
The EU, of course, is one of the strongest tests of this ability to achieve an international standard.

This section analyses the strategies of the Thai private sector in dealing commercially with the EU. The argument is that there are two main strategies: a business strategy and a political strategy. The business strategy focuses mainly on prioritising market access, production standards, distribution channels, and promotion. The political strategy is strongly related to the concept of corporatism in Thai states and markets. This strategy focuses on how the private sector influences and works with the government sector. This section presents two channels to influence the government sector; the regular officially created channels and the specialised unofficial channels. The two strategies are often used together to maximize efficiency for the private sector, although firms, Private Consultative Committees and interest groups put different emphasis on each of the strategies. Firms of different sizes and influences also use different strategies. Understanding these strategies and the way they are used will help to clarify how the Thai private sector has become such a strong influence and a key actor in Thai-EU commercial relations.

**Firm Strategies**

Thai firms do not define the EU as a transnational government, a supranational entity, or anything as complicated as these terms imply. According to interviews with top firm management, Thai firms view the EU as a regional grouping with highly regulated standards which have been harmonized by the member countries. In reality, Thai firms place much less importance on the EU as a transnational union, and more on the individual member states. According to interviewees, Thai firms know that the EU makes regulations which are harmonized, but it is only important as far as standards and regulations are concerned (Interview: 26). Thai firms realize that firm strategies need to be concentrated individually on single member states the firm is interested in and specifically on the customer firm. According to the interviews, Thai firms are not very interested in other aspects of European integration which would not affect the ability to
export to specific member states. Moreover, a Sanguanwong officer explained that customer European firms would go as far as to call and warn of any upcoming European legislation which would affect his company's ability to export. These calls would include additional advice on how to 'avoid' and 'work around' any stricter legislation and the customer European firms would provide information on 'more facilitating' ports through which to deliver products (Interview: 11).

The Thai firms' uncomplicated understanding of the EU may mean several things. It may show that Thai firms are very selective in their understanding of the EU and only concern themselves with what they need to know. This shows itself in the way that top Thai firm workers actually know far more about EU regulations and procedures in the business context than does the state sector, including both the Thai government and its bureaucracy. This also means that Thai firms are very aware that the EU is a unique trading partner, which requires specialized knowledge and an equally unique firm strategy. This awareness of only certain parts of the EU integration process and institutions could mean negative approaches in firm strategies as well. According to a top Thai industrialist, 'greedy' companies will aim to please mainly their European customers rather than take into consideration the importance of the overall commercial relationship between Thailand and Europe (Interview: 26). This eventually results in rule-breaking to cut costs. When the rule-breaking is unsuccessful, these Thai firms will require government sector help to solve the problem, as was the case when a single Thai shrimp exporter tried to export contaminated shrimps to the EU and this resulted in all shrimp from exports from Thailand to the EU being suspended (Interview: 50).

However, Thai firms' selective understanding of the EU means that firm strategies have been created to accommodate this understanding. This section explains the strategies which firms have decided to adopt in order to enhance their competence in exporting to the EU. The section makes use of the three main companies in this research, including the CP group, Pak Food company and Sanguanwong Starch company to demonstrate the different strategies used by different companies.

Two very observable main strategies that Thai firms exporting to the EU use together are repositioning and match-making. Repositioning, which Thai companies adopted, is a business strategy in which firms add value to a product and re-define
themselves in a new and higher-level market sector in order to increase profit margins (National Research Committee Office, 2006). This is important for the EU market because Thai firms consider the EU consumer market to have top purchasing power and to demand the best products available with the highest production standards (Interview: 36). In the past, companies exporting raw products to the EU were already considered to be amongst the top companies in the world when considering standards. Recently, Thai competitors such as Vietnam which previously did not meet the required standards for exporting to the EU have developed their capacities and can now match Thailand in export of raw products. Repositioning of products by adding value means that Thai firms do not have to compete directly in the same market with new entries to the market (Interview: 33).

This repositioning strategy has been used by all three companies studied for this thesis, including the CP Group, Pak Food and Sanguanwong Starch Company. CP Group has actively diversified its products into the ready-to-eat market, instead of trying to export only raw agricultural products. Sanguanwong Starch Company now converts its starch into finer grain which is ready to convert into high quality paper, a know-how which requires the expertise of only world class starch production facilities. Pak Food similarly has tried to follow a strategy of diversifying products although this may not be a direct response to EU regulations and quotas. Pak Food has planned this diversification strategy for the firm in the long term for all markets and the strategy is not exclusively for the EU (Interview: 11).

The second main common strategy Thai firms use to export to the EU is match-making, which was first established by the initiative of the Ministry of Commerce which wanted Thai firms to meet foreign firms through holding of events and fairs, both in Thailand and in Europe. This is not an EU-specific strategy, but Thai SMEs have found this very helpful in supporting their access to the EU market. This is because Thai SMEs usually do not have the same pulling power that bigger firms such as the CP group have and participation in the match-making promotions schemes gives a much needed push for entry into a more complicated market such as the EU. However, the three above firms (CP, Sanguanwong, and Pak Food) are too big and more powerful to be considered as
SMEs but they still find match making strategies are useful for them as well (Interview: 17,20).

Even though there are a couple of broad common strategies, individual firm strategies are different according to their size, influence and capabilities. The CP Group is a good case study of firm strategies because it is a multinational firm which has strong production capabilities, very close ties to the government and has powerful international distribution capabilities. The CP Group owns its own farms and has, compared to other Thai firms, massive agricultural production capabilities (Interview: 50). This not only means that the firm is most efficient in exporting agricultural products, but also means that the firms can follow the EU’s Traceability Regulations (Interview: 36, 37). This regulation demands that all agricultural products, if contaminated, need to be able to be traced back to their origins to find the root of the problems (National Research Centre for Environmental Management). Companies such as Pak Food have limited production capability and often do not own their own farms. This means that they cannot fully take control of their production quality and as a result, cannot follow the EU’s Traceability Regulations. Consequently, Pak Food believes that the EU market requires a cost margin in investment which is too high and might be unprofitable (Interview: 34,35).

One of the CP Groups’ most powerful firm strategies is the use of lobbyists both in the US and the EU markets. The CP Group does not make the identity of these lobbyists public, but admits that the lobbyists in the EU market get directly involved in the legislative process of the EU. They especially try to make contact with Commission officials who are involved in the decision-making process in technical commercial issues which may have an effect on the company. Apart from lobbying Commission officials, the lobbyists which the CP Group employs also communicate directly with Thai government agency representatives based in Brussels (Interview: 46). This process is designed to ensure that the CP Group as an exporter to the EU is given the highest priority by both the Commission and the Thai government agency representatives. The two main issues the lobbyists press for involve problems with certain EU exports and problematic standard EU requirements. (Interview: 50)

By contrast, an interviewee from Sanguanwong Starch believes that Company does not possess such lobbying capabilities but instead makes use of special relationships
with their European customer client base to obtain some privileges very similar to lobbying. A German starch importer which converts starch into paper, for example, regularly passes on information about potentially problematic EU technical regulations to the Thai firm. Sanguanwong does not find that the lack of lobbying is too problematic, because it is exporting at almost its full capacity. However, the firm does admit that CAP regulations restrict them from exporting more raw starch, and that the firm is aware that its lack of lobbying capabilities make it impossible to make progress in this area. The interviewee said that the CAP restrictions were so restrictive that a month's EU quota was usually fulfilled in just a week of the company’s maximum raw starch production capacity (Interview: 11).

Pak Food, the seafood exporter, does not have any lobbying capabilities and does not have any special relationships with EU customers. Pak food officers currently say that the technical difficulty of exporting to the EU makes it unprofitable to expand their business in the EU. The firm's product line, unlike CP Group, is limited to seafood and is focused very strongly on frozen shrimp, in which the EU gives a very small quota. The current strategy of Pak Food is to stop expanding to the EU entirely and to focus on other markets which do not have market restrictions and do not have such strict standards. The EU market for Pak Food is not attractive, even compared to the US which requires the use of sea bonds15 (Interview: 34). Sea bonds are a system the US uses to protect the import quota, whereby a percentage of sea bond purchase is required per each import, hence increasing the price for exporters and decreasing their competitiveness (Interview: 35).

The CP Group’s distribution capabilities in the EU are very interesting and its strategies are very sophisticated in comparison to smaller firms such as Sanguanwong Starch and Pak Food. The firm plans to install a distribution centre in Spain for raw and frozen shrimp, due to Spain being the main importer of Thai shrimp (Interview: 36). Spain is known to either process or re-export the shrimp within the EU, and with the enlargement process, Spain is expected to be able to sell more shrimps to new members.

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15 The USA requires Thai companies to buy their sea bonds at the price of import tax. Then, the USA will reserve their right to keep the bond and if there are any rules broken by the company, the USA reserves their right to confiscate the bond. CP and several companies, therefore, are consulting about bringing this issue to the WTO.
The distribution centre in Spain is designed to stock products from Thailand and get products ready to send to Spanish customers or even the rest of Europe as soon as it is required. Centring the distribution capabilities in a single country reduces logistical problems in distributing products to the rest of the EU (Interview: 27, 37).

The CP Group also pushes products to discount stores and the hypermarket sector in the EU. CP Group explains that if the product push is successful it results in two very useful outcomes. First, the contracts to discount stores and hypermarkets are more long term. Second, it is a very useful way to promote its products directly to EU consumers and create a long-term customer base. The main CP Group hypermarket customers in the EU are Tesco-Lotus, Carrefour, Somerfield, Sainsbury and Iceland. The UK market demands ready-to-eat products in large amounts, and according to interviewees this firm strategy is very successful with UK consumers (Interview: 27, 28).

The other main strategy adopted by CP Group is to maintain their space in competition as well as market share. CP still exported shrimps to the EU even when the GSP was removed and the firm has lost profits. The company believes that gaining a customer base in the EU is far more difficult and thus only useful for the distant future. CP, therefore, has chosen to remain in the market with profit loss while other Thai shrimp exporters withdrew from the EU market during that period. Consequently, when Thailand regained its GSP privileges, CP was the first company which was ready to fully re-enter the EU market (Interview:28).

Moreover, CP also sees that some of the EU product requirements are tedious and complicated. There are only a few food exporters in Thailand which are able to meet the EU standards since they require a high cost in investment into all infrastructures, technologies, work practices and quality controls. Nonetheless, CP thinks that when the company can meet the requirements, it will upgrade the status of the company in the world market as a competent company with a high quality standard. CP, therefore, sees trading with the EU as a stable long-term commitment which is worth the investment. Furthermore, the EU shrimp market, the biggest shrimp consumer market in the world, still has a huge potential for CP to grow more (Interview:27, 29).

CP's strategy, as a strongly influential exporting company in Thailand, is understandably more comprehensive and strategically deeper than that of Pak Food or
Sanguanwong Starch Company. Despite being respectable firms in their own right, Pak Food and Sanguanwong Starch Company are not classified among Thailand’s top 100 firms, unlike CP Food Group which is well in the top twenty. The relative simplicity of Pak Food and Sanguanwong Starch Company’s strategies are clearly reflected in the contrast of their own strategies compared to the CP Group’s strategies.

Private Consultative Committees Strategies

The Private Consultative Committees’ duties and job description mandate that their key role is to acquire knowledge about the EU which is more comprehensive, when compared to the Thai firms which are strongly focused on the business side when dealing with the EU. The job description requires continual contact between officials of the committees and EU Commission officials, diplomats, and European firms. This contact means that officials in the consultative committees have acquired a very detailed understanding of the EU and how it works. The consultative committees give a much needed link between the government sector and firms. To be accurately described, the committees are independent bodies which are self established to facilitate firms and provide a better understanding of the private sector to the government (Private Consultative Committees document, 2003). These committees are not, therefore, simply established by the government sector as promotional units. Although the Federation of Thai Industries (FTI) is under supervision by the Ministry of Industry, the government only acts as consultant, and these committees work independently (Interview: 26).

The roles of the committees which have been assigned by the government have helped several exporters in generating new paths for Thai-EU trade relations. However, it seems their roles are not strong enough to intervene in the process of government policy making. Their roles are limited to support for new exporters and for established exporters who still need some support from government (Pitsamaicha, 2001: 48). The three main committees from the private sector, nevertheless are still a part of the commercial policy making process, and meetings between the Ministry of Commerce and Ministry of Foreign Affairs and committees from the private sector are seen by observers
as an important part of the Thai-EU commercial policy making process (Pitsamaicha, 2001: 48).

Private Consultative Committees have a duty to strengthen linkages between firms and the government. Therefore, as noted by one interviewee, their role is not to generate ideas for policies but to understand the needs and requirements from both firms and government and then link these two together (Interview: 20). Moreover, they are also responsible for connecting Thai firms to EU firms directly and also acting as a partner to the Ministry of Foreign Affairs and Ministry of Commerce when governments need representatives from the private sector (Pitsamaicha, 2001: 36).

However, an economist from the FTI claims that Private Consultative Committees are a part of several policy making processes since the government needs to receive knowledge about firms and the private sector from these three main committees in order to produce policy relevant to the competence of Thai companies. Moreover, what the committee transfers to the government side will have a significant impact on the direction of policies. Therefore, there are some companies who find these organizations useful as a way to intervene in government policies (Interview: 17).

The Private Consultative Committees have been established as groups focused on maximising Thailand’s economic interest (Tinsulanonda: 1981). The role of the committees is seen by them as attempting to influence government policy, but the consequence of the influence is usually very low impact, despite their high expectations of themselves. There are several reasons that the committees cannot play a more important role in Thai politics and economy. From the perspective of the members of the committees from private sectors, they expect that Private Consultative Committees could play a more important part in solving problems, supporting trade and connecting the government and firms. The Private Consultative Committees also have demanded rights to make decisions on some important issues. However, the expectation from the government of the Private Consultative Committees’ role is totally different (Wattana, 2002, 70). The government has seen the committees as a link to understanding the firm and receiving all important information from the private sector, but not as a partner to solve problems and initiate ideas or policies (Wattana, 2002, 73). These contrasting opinions from two opposite sides have created difficulties for the Private Consultative
Committees in shaping the direction of the policies since they might cause conflicting policy prescriptions and prevent coordination between the government and private sector groups (Interview: 50).

Some prominent members of the private sector believe that the private sector committees are still unable to clearly perceive and follow their objectives since they see these organizations as 'coalitions' not as 'organizations' (Wattana, 2002, 80). This has had crucial effects on the perspective of the members (firms) towards the organization. Many firms have seen the organization of the private sector committees as only a coalition composed partly of government and partly of the private sector with them (firms) as key members. Thus, the committees are unable to deliver the strong linkage between the government and private sector that they promise, and thus unable to provide advantages to their firms and country (Laddawal, 1999, 42). Most members (firms) in the committees, therefore, have not given sufficient co-operation to them and this has made the cooperation between the committees and the government more difficult (Interview: 6).

**Policy Coordination**

When examining policy coordination in the Thai private sector to deal with the EU commercially, it is possible to identify three levels. The first level is concerned with policy coordination between firms and the government. The second level is between firms and Private Consultative Committees. The final level is between the Private Consultative Committees and the government. These three levels add up to how the private sector coordinates policy and strategy to maximise its ability to function effectively in Thai-EU commercial relations. As such they form a first criterion for judging the possibility of effective policy coordination.

The second criterion to consider is that these three levels use either official (presented as Green lines in chart 4.4) or unofficial channels (presented as Blue lines in chart 4.4). Official channels, whereby guidelines are provided by the government to the public, are considered to be formal ways to interact with the Thai state and are usually
covered under legislation. Unofficial channels, on the other hand, are informal ways of interacting with the Thai state and the rules for interaction are usually ad hoc and dependent on personal connections. This section explains how the firms-government level makes use mostly of unofficial channels to influence policy or procedures. The two other levels, including 'firms to Private Consultative Committees' and 'Private Consultative Committees to government' use official channels given by the government to influence policy.

**Primary Relationship: Firm-Government**

The firm to government policy coordination level is extremely important in this study and is considered to be the primary relationship which needs to be analysed in full. Before going into details, an argument that needs to be explored is that policy coordination does not really have to exist. Firms and Private Consultative Committees are the main actors in the commercial relations between the EU and Thailand, and often feel that their strategies are designed to serve them most efficiently, especially when slow and bureaucratic government rules and regulations could be avoided. Powerful firms in Thailand such as CP Group have said that they would rather contact firms within the EU directly without going through the process of government and ministries because the MOC and some Thai ministries are known to be very slow to process work (see Chapter 3). CP Group usually tries to avoid all work and processes which will have to pass through the Thai bureaucracy since it will slow down everything and sometimes causes the company to lose their opportunity and benefits in business (Interview: 6,8).

As noted in Chapter 3, most ministries still have characteristics of government organization which means (in the Thai context) low effectiveness and efficiency and extreme delays. These factors are difficult for firms since they slow the process and can create significant losses in business when the issue is urgent (Interview: 28). The coordination between the government sector and firms has been improved but from time to time weakness of government departments still creates difficulties for exporting firms rather than promoting their interests (Interview: 27).
One of the examples, presented by an interviewee from CP, is a case where CP Group asked the MOC to issue the Form A document to support new GSP (GSP gave import tax decrease from 12% to 4.2%) to export shrimp to the EU. The company would not be able to receive a new rate of GSP without this Form A. The MOC was one month slow in processing the Form A document which forced the company to pay 12% import tax instead of 4% and thus lose millions of Euros in that month. The MOC’s explanation was that there is a procedure which takes a set time which is notified in advance to the firms, but that the firms do not take notice of this and usually send in requests at the last minute.

Avoiding government rules and regulations is often not a choice and firms have learnt that it is best to have a good relationship with the government sector and officials within the ministries. Special relationships help to speed up required government rules and regulatory processes as well as to pressure the government to restructure government agencies to better suit the firms’ needs (Interview: 46). A CP shrimp export division officer claims that help from the government sector does not give a significant increase in exporting to the EU at all. However, in the process of exporting to the EU, the firm needs to have strong connections with several ministries. This is not for promoting exports but to help the process work effectively without serious delay in any decision making from the government sector (Interview: 28).

Thanwa, an economist from Kasetsart University, believes that most of the powerful export companies in Thailand have some sort of connection with the government, while Private Consultative Committees such as the Thai Chamber of Commerce do not play an especially important role in commercial policy making. The main actors who create the direction of the policy, apart from the government, mostly are powerful export companies. Especially, the government of Thaksin has emphasised strong links between the government and the most powerful companies in Thailand (Interview: 10).

Top management officials of an EU export company explained that the strategy firms use to intervene in government policy is not officially informed or disclosed since it is the duty of their firm’s board to discuss their demands with the government. The firm has a strong connection with both permanent government officials and politicians.
Politics in Thailand changes dynamically so most powerful firms also need to create connections with permanent government officers from relevant and important ministries as well. Therefore, the firms which receive the most effective help from the government are usually powerful companies (Interview: 48, 50). At the level of policy, a CP Group officer denied that the firm has intervened in commercial policy in order to gain benefit for the firm. However, the officer knew that there are several commercial policies which importantly facilitate the direction of the firm strategies, but he is uncertain whether this is a direct effect from the lobbying of a senior board of the firm (Interview: 27). However, there is evidence to support this argument which will be mentioned below.

In this context, it is interesting that most of the interviewees who felt that the government was potentially not very helpful are junior operational level officers of firms. However, sources from the private consultative committee, ministries and media confirm that senior management of powerful firms such as CP Food Group are treated in a very special way by the government. This may mean that at the operational level, officers are mostly unaware of the continual assistance and support the government provides to firms with which they have special relationships.

It may also be more than coincidence that after several interviews with the Ministry of Foreign Affairs and firm officers (Interview: 13, 15), it was found that the MFA strategies are similar to the strategies being implemented by CP. Officers from the firms have confirmed that the strategies of the firms were genuinely initiated by the firms’ needs, not from the needs of the government. The MFA claims that the strategies are a direct result of consultation between the MFA and Private Consultative Committees. There is reason to believe, however, that this consultation had little influence on the MFA’s strategies. Media sources say that powerful firms such as CP Group make very little use of Private Consultative Committees, so the similarity in strategy that can be seen between the MFA and CP Group could be a direct result of the co-ordination between the senior executives of CP with the government through informal channels (Interview: 49).

A political journalist from also mentioned that ‘The CP never pursues its interest through official methods such as other smaller firms do. If the CP requires anything, CP will certainly have it and no-one will know exactly how those policies derived. There was
one occasion that I talked to officers from Ministry of Public Health to receive a notice that chicken meat is now safe from Avian Flu and perfectly safe to be consumed. The MOPH asked me to publish the notice as soon as possible and in the evening of the same day, PR from CP just called me and asked if I had received the notice from MOPH yet.' (Interview: 49).

The Thaksin government is currently considered as the government which has had the strongest connection with the CP firm. At the operational level, both junior management at firms and civil servants at the ministries mostly conduct day-to-day activities and are not told to use any obvious unofficial channels. The government sector is continually trying to improve the bureaucracy and to modernise the ministries. The government of Thaksin tried to modernise and reorganise the whole system of all government organizations. This, however, included closing down several Thai commercial representative offices in several EU countries. The government claimed that minimizing costs was one of their most important tasks since the previous government overspent the budget. Moreover, the government believed that restructuring all government organizations and cost cutting would help the bureaucracy to work more effectively. Therefore, they closed a number of commercial diplomatic offices of Thailand abroad and aimed to transfer some tasks to consulting firms and trading firms (MOC document 2005). This move was strongly opposed by government officials themselves. An official at the MOC’s Department of Negotiation believes that reducing commercial diplomatic office of Thailand in some countries has created difficulties for Thailand’s exporting firms (Interview: 16, 32). They claimed that the government ministries still lack knowledge in accessing the EU market’s new members. The new additions to the EU from the recent enlargement process are countries which will also be a valuable market for Thailand’s exports and investment. Therefore, having the commercial representative offices in the EU closed can result in a negative effect for both governments and small export firms rather than giving any positive impact to any Thai firms or Thai ministries (Interview: 16,45).

Recent changes in Thai politics also show how dynamics in Thai politics can cause some very serious effects for policy coordination between firms and government. Several ministers and politicians in the government of Prime Minister Thaksin had strong
connections with firms and also several of them had owned many powerful export firms in Thailand (Interview: 26). Therefore, Thaksin’s government was an age in which commercial policies may have been abused to give advantages to politicians in the government party (Interview: 26). The competitive situation in Thailand was significantly changed in some business sectors and it also had a negative impact on many powerful export companies. For instance, in Thaksin’s cabinet, the Minister of Agriculture owned a tapioca company and the Minister of Industry owned a car part export company. Their companies gained significant competitiveness after they had been in their posts for only a few months. Sanguanwong Starch Company, originally a major Thai tapioca exporter to the EU, quickly lost their ability to compete at one stage because of a controversial commercial policy on starch subsidies which prevented them from accessing low cost resources (Interview: 40).

The policy restructuring of certain governments such as the Thaksin administration has brought both positive and negative effects to Thai bureaucracy. Severe problems which have been a main obstacle for both Thai firms and Private Consultative Committees or even between cooperating ministries, still exist and have not been solved. There were complaints from officers from the MOC that in some divisions and ministries such as the MFA, officials rotate duties and expertise every 2-4 years and sometimes as quickly as 5 months. This has created difficulties in co-ordination because the officers in the respective divisions will not have expertise in the area they are working in. This has resulted in delays and weak understanding in policy making (Interview: 45). It is the view of some government officials that since the government of Thaksin, there have been significant changes of structure within the organization and linkages between private sector and government sector. The Thaksin government transferred more power from the government sector to the private sector since they believed that in the area of commercial issues, the private sector could produce a more effective result. The Thaksin government also agreed that the private sector has a more significant role in commercial policy making (Interview: 39).

One of the most recent and best illustrations of this primary relationship (firm-government) is the avian flu crisis which occurred in early 2004. When the news of avian flu broke, it quickly became a national crisis. In 2003, Thailand was the fourth largest
exporter of poultry in the world, and up to 90% of Thai chicken production is exported, mainly to the EU and Japan (Thai Broiler Association 2003). The fall out from the crisis was estimated at 30 million Baht ($763,000) (The Bangkok Post, 6th February 2004). CP Group’s stock immediately fell by 12.5% and affected the entire Thai business community (Bangkok Post, 6th February 2004). CP quickly announced that birds on its farms had not become infected by the avian virus and put immediate pressure on the government to make this known to its main export markets such as the EU ((The Bangkok Post, 6th February 2004: 39). The firm claimed that precautionary measures and its up to standard chicken farms were located in an area distant from the reach of wild birds that carried the virus. Dr. Hans Wagner, a senior regional officer (Bangkok) of the U.N.'s Food and Agriculture Organization, gave additional support to CP’s claim that their farms were safe. He also announced that enclosed factory farms such as the ones CP had, were one of the best methods to prevent the dispersal of the deadly viruses. CP simultaneously launched advertisement campaigns through various media to guarantee safety of its food products and regain consumer trust. This campaign to ensure the safety of CP’s poultry produce was reported to cost over 22.2 million baht16 (www.icmr.icfai.org).

During this period, CP Group worked very closely with the government to ensure to the public that its poultry was also viable for exports. Some commentators have gone as far as to assert how ‘the story of the avian flu outbreak in Thailand reveals how agribusiness, and CP in particular, managed to influence the political leaders to make sure that the government defended the interests of the export industry before protecting consumers’ and producers’ rights’ (Chanyapate: on the Global South, 20th April 2004). According to a Ministry of Commerce official as well as a Thai journalist, CP put additional pressure on the government to contact EU officials to travel to Thailand and confirm that CP’s poultry was safe. This resulted in the EU allowing export of CP poultry while continuing to place a ban on other Thai poultry companies which had not been strictly examined (Interview: 38, 46). The close relationship between CP Group and the Thaksin government in 2004 in resolving the problem of poultry exports to the EU as

well as local and international perception shows how the firm to government relationship is absolutely critical in solving serious commercial problems.

**Secondary Relationships: ‘Firm to Private Consultative Committee’ and ‘Private Consultative Committee to Government’**

Due to the nature of the Thai policy-making process ‘Firm to Private Consultative Committee’ and ‘Private Consultative Committee to Government’ are, by design, secondary in importance to the government to firm relationship. The co-operation between Firm-Private Consultative Committee has been mentioned in general in the first part of this chapter which explained how firms can work through the Private Consultative Committees. Moreover, the chart of Policy Coordination and Policy Influence Channels presented the co-operation between Private Consultative Committee to Government through the orange arrows in the charts. The chart shows that the Private Consultative Committees are designed to be the main representative for firms and work alongside the government. The orange arrows also show that the power has been transferred directly from the cabinet, which is considered to be the most powerful actor. From this, it can be implied that the Private Consultative Committees were initially created to be a powerful partner of the government in the policy making process.

The secondary relationships, firm to Private Consultative Committee and Private Consultative Committee to government, suffer from the Private Consultative Committees’ relegation to a less important position in the relationships. More recently, the Thaksin administration initiated an increased number of important meetings in policy decision making which included Private Consultative Committees as a main participant at the meeting. The initial view on the role of the Private Consultative Committees is, however, not promising. The aim of the Private Consultative Committees which is to initiate co-operation, meetings, and process all tasks by focusing on the co-operation between government and private sector, is not successful since the government sector still has not received sufficient co-operation from firms. With firms reluctant to cooperate with the government under the framework in which Private Consultative Committees
have been set up, the primary role of the Private Consultative Committees is strongly undermined (Interview: 16, 17).

Under the structure of each committee, there is a group of trade associations who are the member of each committee organization. In each trade association (called ‘industrial club’ as in the chart 4.1), there is a chair of the association who is mostly from the powerful firm in that trade association. The meeting in each trade association normally occurs once or twice a month depending on the issue. If there is an important issue which holds the most common interest of the association, the issue will be raised in a meeting with officers from the PCC committees. During this process, there is a belief that there might be political issues within the related associations with the most powerful firms in the trade association tending to be able to select the issues which the association will represent. The selected issue will be presented by representatives of each committee in the meeting with Ministry in the process of policy making.

During the government of Thaksin, the extent of co-operation between the government and the Private Consultative Committees was negligible. The government set up a process which was called ‘PP Dialogue’ which is a bottom-up process when compared to the previous pattern of co-operation which relied more on orders relayed from the top. In the PP Dialogue, top government officials worked much more closely with individual officers from the Private Consultative Committees before generating policy. According to an Officer from MOC, the government of Thaksin had closer relations with the private sector as demonstrated in the PP Dialogue where officials from the government side join in the meeting of the Private Consultative Committees in order to generate ideas and thoughts right from the beginning of the process(Interview: 17). If the issue is urgent, it will be forwarded directly to the government without passing through the whole process of meetings with ministries. This demonstrates how governments coordinate with firms to generate ideas and aware of their needs.

At the Private Consultative Committee to firm coordination level, it appears that firms may not be putting a lot of trust into the Private Consultative Committees. Two interviewees, who work for one important seafood export company, claim that the roles of these three Private Consultative Committees are insignificant for firms. Especially when the firms are considered to be very powerful in Thailand (as is the company they
work for or firms such as CP which are very powerful in Thailand), the firms will view
the organizations as just a government programme and stage for firms to speak but the
consequence of the action from these organizations rarely brings any change in policy or
benefit to them at all (Interview: 51, 52). Furthermore, one interviewee pointed out an
irony in the way firms might be able to coordinate with Private Consultative Committees.
While powerful firms find the Private Consultative Committees to have too little
influence and power to ask for assistance, at the same time, small firms find that they
have too little power to ask for the attention of Private Consultative Committees.
Chart 4.4: Policy Coordination and Policy Influence Channel

Unofficial Channel = - - -

Command and Official Channels = - - - - - - -

Co-Operate between Private sector & Government sector = - -

Co-Operate within Government sector = - - - - - - - - -

POWERFUL FIRMS SUCH AS CP COULD BYPASS THE PROCESS

PRIVATE CONSULTATIVE COMMITTEES

FTI

TCB

TBA

PRIVATE CONSULTATIVE ASSOCIATION / INDUSTRIAL CLUB
Conclusion

There are two ways to look at the Thai-EU commercial relationship and the way it has developed through the views of the Thai private sector. One way is to look at the EU and how the unique nature of the EU forces the Thai private sector to act. The second way is to look inside Thailand and analyse the way that the Thai private sector interacts within itself and with government.

The unique nature of the EU is both a challenging opportunity and an obstacle. The strict rules and regulations set by the EU mean that firms are forced to prove that their standards are high enough to compete in the European market with very demanding consumers. Being able to export competitively to the EU provides the firms with a higher profile in the international business community. Increasing competitiveness is not only about standards, but is also about diversifying products and competing in value-added products instead of just raw products. This responds to the needs of EU consumers as well as helping Thai firms to avoid direct competition with neighbouring developing country competitors such as Vietnam.

In some cases, the challenges the EU presents as a unique market may mean that Thai firms choose to leave the complex rules and regulations the EU sets, as is the case with Pak Food, and focus on other markets. Pak Food has found that its production capabilities and the strict standards the EU has set for products makes the EU market not as profitable as other markets. This is a potential problem for Thai-EU commercial relations, because trends are that Thai businesses seem to be focusing more on the ASEAN and Asian markets.

The question of who to talk to when dealing with the EU has also been partly solved by the Thai private sector and seems to be a critical part of Thai-EU commercial relationship development. Talking to a very unique EU can be done in several ways, and the Thai private sector has adopted its own ways of doing this. The first way is to deal with the EU firms directly. In some cases like with Sanguanwong Starch Company, Thai and EU firms have created such strong links that the European firms give direct assistance to the Thai firms, and effectively provide Thai firms with any understanding required to operate in the European market. CP Food Group has also developed a similar
concept by talking directly to firms such as supermarkets and obtaining long term contracts for export of agricultural products. CP Food Group also uses its own lobbyists to talk to Commission officials to make sure that the firm has the highest priority possible as an exporter.

The second way to talk to the EU is for Thai firms to talk through the government sector and Private Consultative Committees. Apart from being the link between the Thai government and Thai firms, Private Consultative Committees give an extra communication channel with the EU to Thai firms and the many meetings the committees have with EU firms and officials are useful in providing further understanding of how the EU operates.

The third way the Thai private sector can talk to the EU is through lobbying the Thai government. Thai firms as well the Private Consultative Committees lobby government, ministries, and Thai missions in Brussels on commercial issues, which often require the development of policy. More often, the lobbying takes place at a late stage during trading problems with the EU and Thai firms put pressure on the Thai government and official missions to solve their problems. This has happened in the case of shrimp contamination, poultry, and GSP limitations which the EU has put on Thai exports. In cases like this, the Thai firms have found it most effective to seek the help of the government sector in talking to the EU and solving the problems.

In many ways, the Thai private sector can act with considerable autonomy in relations with the EU. As the independence in many areas of large firms shows, these firms can act independently to achieve their own goals in many situations. The case of CP Food Group shows how the government sector can be as much an obstacle as it can be a facilitator to exports of Thai agricultural products. The Thai bureaucracy, which is known to be slow, ineffective, and often corrupt, is something operational level officers normally want to avoid when they can.

This may not be true with larger firms with more influence in the government. The CP Food Group and its influence with the government, especially the recent Thaksin government, may be able to actively use its senior management to shift policy the way it wants to. It is very surprising how the policy paper for Thai-EU commercial relations from the Thai Foreign Ministry was almost the same as the CP Food Group’s published
strategy (MFA document: 2006). It is also surprising how operational level officers at
the Thai Foreign Ministry and CP Food Group were not aware how similar the Foreign
Ministry's policy papers were to the CP Food Group's strategy. In the interviews
conducted, however, the academics, media, and professional were all equally aware how
influential the CP Food Group is in the very highest levels of the Thai government.

Thai Private Consultative Committees provide some expertise in general issues of
commercial relations and a link between the government and the private sector. It is
questionable how well they perform this duty, because their duties are very vaguely
defined and both the government and firms have different expectations of what the
committees are for. The firms want a more positive role for the Private Consultative
Committees and want the committees to be able to decide and execute some key policies.
The government instead sees the Private Consultative Committees as existing only to
give information and limits the role of the committees.

The private consultative committees' true value should be to provide
communication and understanding between the government and the firms. In the
conducted interviews, it can be seen that the committee officials feel themselves as half-
government, half-firm working for the best commercial interest of Thailand. If fully
utilised, private consultative committee could be a very valuable asset to the Thai private
sector because they could mediate between the government and the firm with the goal of
optimizing Thailand's opportunity in the global market. The way the Private Consultative
Committees are being used to date, it is not fulfilling their own potential.

This study of the Thai private sector also provides significant support for the
corporatist framework advanced in the thesis. The behaviour of certain firms in
influencing government policy shows how certain groups in society may have the power
to strongly influence the economic and political system (Wiarda 1997: IX). This ability to
influence policy also supports Schmitter's definition that corporatism can be defined as a
system of interest representation (1997: 13) and Williamson's arguments about interest
intermediation (1989: 14). Apart from the role of corporatism which seems to have
matured in Thailand under the Thaksin government, the thesis of the 'retreat' of the state
(Strange, 1996) may also be supported in some degree. The growing independence of
certain Thai firms and their ability to act independently of the Thai government is a sign

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that economic enterprises may really have received additional focus in transnational relations, over the state or even international organizations. But there is also evidence that some of the relationships between Thai firms and governments represent forms of collusion rather than the coordination of broader interests, and this cluster of issues will be pursued in the Conclusions.
Conclusion

Actors and Effectiveness in Thai-EU Commercial Relations

This research has tried to find out who the most significant actors are in Thailand’s external commercial policy as well as which actors have shown the most effective performance and how the actors relate to each other. In chapter I it was noted that most work on Thai external commercial policy focuses on how the state is the main actor in making policies. The effectiveness of Thailand’s external policy is thus measured by how effectively the state can do its work. This research has gone further into analysing Thai external commercial policy by considering the role of firms and Private Consultative Committees in addition to the state, so that we have a more far-reaching understanding of how Thai external commercial policy is made.

The previous chapters have tried to provide a clear picture of Thailand’s role in the global political economy as well as how Thai actors see commercial policy as a part of the national interest. The research began by proposing that in Thailand, the state, firms, and private consultative committees work together to create external commercial policy under the environment of corporatism. In corporatism, trade associations are seen as the most important actors in influencing the working characteristics of the state and firm by encouraging good governance in the making of external commercial policies. Therefore, these three types of actors working together would explain how Thailand’s external commercial policies are made.

The research then explained why the EU can be seen as a good case study for Thailand’s external trade policy-making because it is a powerful actor in the global economy which is also influential and complicated. It was explained that the EU’s complex institutions and policy-making can provide a good measure of how well Thai actors are able to cope with such a difficult challenge. The history of EU-Thailand commercial relations was then analysed to reveal that Thailand has had a difficult series of trade conflicts with the EU.
Analysis of primary and secondary sources later revealed that both the Thai state, divided into the government and the bureaucratic civil service, and firms have had to deal with the EU’s complexity through the use of their own distinctive strategies. The analysis also showed how both the state and Thai firms have had a lot of difficulty in maximising their own interest and how the two actors sometimes have to collaborate with each other to obtain specific goals. According to ideas of corporatism, the Private Consultative Committees should have been able to mediate the communication between the Thai state and Thai firms, but the evidence shows that state policies and firm strategies have not always followed the same course. The evidence from private consultative committees clearly shows that they achieve only limited success in their role to communicate between the state and the firm.

There are a number of issues which need to be analysed in these conclusions. First of all, the Thai-EU commercial partnership needs to be considered again to see where the trade conflicts have mainly started from and what the causes are for these problems between the partners. Secondly, the role of the Thai state, Thai firms, and the private consultative committees will be examined to explore the differences between external commercial policies formulated by the state, firms’ strategies in exporting to the EU, and the attempts by Private Consultative Committees to exercise influence. Thirdly, the effectiveness of each Thai actor’s strategies will be analysed to show how conflict can arise within the Thai bureaucracy and between state and firm strategies, and whether the ineffectiveness of the private consultative committees may lead to informal and indirect collusion between powerful Thai firms and the Thai state.

The final issue which needs to be examined is whether corporatism is the correct conceptual framework to assess Thailand’s external commercial policy-making process. This research proposed corporatism as an explanation for Thailand’s commercial policy-making process as it affects small and powerless firms, but this may not be the same for larger firms. The case study of the Thai-EU commercial partnership shows how the Private Consultative Committees may have been ineffective in their role as trade associations, leading to direct consultation between the state and firms. This uncovers a limitation in corporatism’s argument, which cannot fully explain why the Private Consultative Committee’s role has sometimes become limited. This research finally
argues that clientelism, which argues for a collusive relationship between the state and Thailand's powerful and affluent firms which does not go through official channels, but instead makes use of a patron-client relationship, might provide a more persuasive explanation. This appears to be particularly relevant in Thailand's most recent democratic government, led by Thaksin Shinawatra's Thai Rak Thai party.

**The Roots of Thai-EU Trade Conflict**

Evidence in Chapters 2 to 4 showed that Thailand and the EU have been involved in several cases of trade conflict. It is important to understand why these trade conflicts can happen before an analysis can be made of who the main facilitating actors are in the Thai-EU commercial partnership and how effectively they might perform in policy-making and creating strategies for exports. The evidence from the previous chapters also shows that Thailand's trade conflicts with the EU can be derived from changes in Thailand's economic progress, Thai small firms' lack of competitiveness, and the EU's strategy of limiting imports through covert and overt barriers.

It was mentioned in Chapter 2 that Thailand's fluctuating economic progress created changes in the trade deficit the EU experienced against Thailand and is one of the most important roots of the Thai-EU trade conflicts. Between 1986 and 1987, for example, the Thai baht's value decreased due to the global economic downturn caused a strong growth in the trade surplus of Thai exports to the EC (Suvimol, 1990, 87). This quickly caused trade conflicts in several areas of Thailand's agricultural exports including textiles, tapioca, tuna, and shrimp (Suvimol, 1990, 88). In 1992, the area of conflict also expanded to pirated cassette tapes which the European Commission claimed were causing 'material injuries' to the European music industry (Matipong, 1995, 132). It is probably not a coincidence that at another major period of Thailand's economic downturn and the Baht's value decrease, in 1997, the EU decided to graduate Thailand from its GSP scheme. This cut down Thai shrimp exports by 50% and started another round of conflict and negotiations between the EU and Thailand (Thai Shrimp Association Document: 2001).
Thai small firms have also admitted that they are unable to conform to the very high export standards imposed by the EU, and some minor and unethical Thai firms have turned to cheating to avoid these standards. An example is in 2002 when chloramphenicol and nitrofurans, considered dangerous chemicals, were found in Thai shrimps sold in the Netherlands (Market Report: Food market Exchange Jan 31 2003). This caused the EU to implement a 'zero tolerance' food safety policy on Thai goods and to start a 100% inspection of Thai shrimp products within the EU (Bangkok Post: 1st Jan 2003). A similar case which is seen in the EU’s cutting of Thailand’s GSP also happened when frozen chicken imports from Thailand were found to contain contaminants and chemical substances.

In chapter 3, it was mentioned that the EU’s use of its GSP scheme can also be considered as a system of hidden trade barriers. Whether the EU has been fair or not can be seen by examining whether the act of cutting GSPs is discriminatory or not, and how certain cases have been to a GATT dispute panel, and Thailand managed to win their case. The Thais considered the cutting of Thailand’s shrimp GSP in 1997 very unfair, especially since other large shrimp exporters including Ecuador, India, Bangladesh, and Indonesia continue to benefit from the EU’s GSP granting (Bangkok Post October 16 2002). This was a good example of discrimination since other leading shrimp exporter’ GSP privileges gave them an unfair advantage over Thai shrimp exports. Another instance of trade barriers occurred in 1994 when Thailand brought on an ongoing canned tuna dispute to GATT, arguing that the EU had acted unfairly by imposing a quota on canned tuna from Thailand. The GATT ruling was eventually made in favour of Thailand on the 1st of January 1997, and the EU was forced to abolish this canned tuna quota (MOC Document:1998)

**State Policies, Firm Strategies, and PCC Mediation**

Findings from the research on the Thai-EU commercial relationship can show that Thailand’s external commercial policy is not always cohesive. This section argues that there three separate directions can be identified. The state generates formal external
policies as well as entering into formal written agreements with the EU, and creates basic guidelines for how Thai-EU commercial relations should be created. The firm, however, has distinctive strategies which do not necessarily follow the basic guidelines offered by the formal external policies written by the government. Firms conduct strategies according to what they feel would gain the most benefits for themselves. Finally, the PCC’s role is to mediate and strengthen linkage in relations between the state and firms.

On the most basic level, if we want to know how the Thai-EU commercial partnership is doing, external commercial policies designed by the state can form the best guide. Thai state policies are designed at two levels, and which level holds the most importance is arguable. The first level is the government level, which creates policies and strategies for Thailand’s external commercial policy. The second level is the bureaucratic civil service level, which takes the government’s policies and strategic guidelines and conducts the policies on a practical level. At the second level, this research has argued that the Thai Ministry of Foreign Affairs and the Ministry of Commerce have the most important roles in dealing with the EU. This research has also found that the Ministry of Industry and the Ministry of Agriculture have secondary roles in dealing with regulations, but usually have little to do with influencing policy.

At the government level, it is usually accepted that policies within the Thai bureaucracy will change once a newly elected government comes in (Chumpol 1985:114). Thailand has changed Prime Minister eight times over the past two decades, and though each of the governments has provided general guidelines on international trade, none of them have entered into specific details on how Thailand should deal with the EU. This is perhaps with the notable exception of Thaksin Shinawatra government, which has managed the government in a very business-centred way and eagerly visited many European countries to try to sign trade agreements. (interview: 12) This strategy has not yielded any visible results, although it has encouraged the Thai civil service to adjust their own strategies to suit this business management style (Interview: 12,13).

The civil service level is the area where visible strategies and policies are proposed and finalised (Pongmukkapat 1993: 95). The Thai MFA and the MOC, considered to be Thailand’s most prestigious ministries, work closely together with the European Commission in several meetings for many purposes (Panichapak, 2003,
Tanapornpan, 1989). During the past two decades of the Thai partnership with the EU, the aim has been mainly to settle trade conflicts and disputes on behalf of the various countries. Lately, the MFA and the MOC have also been involved with the EU in trying to finalise a bilateral framework agreement, although there have been problems in accepting the final draft so far. The MFA and the MOC are also responsible for entering into negotiations with the European Commission within ASEM, which is another place where policy direction between Thailand and the EU can be generated (Interview: 1)

A focus on the state, however, only provides a partial view of how Thailand wants its relationship with the EU to develop, and stresses a negotiated view of Thailand’s relationship with the EU. Thailand’s macro strategy at the present gives some importance to the EU, but tries very hard not to be dependent on the EU’s economic power (Interview: 3). This has turned Thailand’s external commercial policy focus on to ASEAN as well as India and away from the EU (Interview: 6).

The state’s policy and policy-making procedures can be seen as a good way to know where Thailand wants its overall relationship with the EU to go, but Thai firms’ strategies are a better indicator of where the policy is going and how it will be adopted in reality. This research has found that firms usually do not follow the government’s guidelines and manage instead to create firm-centred strategies which are most beneficial for the firm’s survival in international trade. One of the reasons for this is that firms view the EU as just another market, and use practical trade strategies in order to gain access to the EU by ignoring any side effects in the long term which may happen to other Thai business sector or competitors in Thailand or to farmers in Thailand. Thus it can be argued that Thai firms only concern themselves with what they need to know in order to gain access to the EU’s market. Therefore, their strategies are frequently effective and efficient but might generate some negative impacts for the nation or sometimes for themselves in the long run as was mentioned in chapter 4 in respect of the Thai Bankers Association.

Firms main strategies are microeconomic, and focus on channels to improve Thailand’s exports to the EU. This also includes Thailand’s marketing towards the EU to promote Thai exports, and to provide further channels of understanding about Thailand’s products. Some Thai firms, such as Sanguanwong Starch, make use of personal
friendships with EU firms in order to create further channels and often to avoid the EU's complex procedures (Interview: 11). Bigger firms such as CP Group actually make use of lobbyists within the EU market, some of which get directly involved in the legislative process of the EU (Interview: 49). This is especially true for the issues surrounding certain EU exports and problematic EU standards requirements which the CP Group feels are pressing issues (Interview: 48). CP Group also benefits from its very extensive distribution capabilities, and can formulate sophisticated strategies to enter the European market.

While the Thai state and Thai firms have their own distinctive ways of accessing EU markets, this research has found that the role of the PCCs is at best secondary or even marginal. At first, it can be argued that playing just a supporting role is probably what the PCC has been created for. The interviews, however, showed that the PCC, who see themselves as trade associations, do not feel that their role is secondary. With the interviews in mind, it also appears that the role of the PCCs is similar to trade associations, who according to the literature on corporatism, are extremely important in influencing the policies formed in collaboration between state and firms.

In principle, the PCC's role in Thailand's external commercial policy making is extremely important. They were originally established as independent bodies to facilitate firms and provide a better understanding of the private sector to the state, although their independence is sometimes in doubt because they were actually created by the government. When dealing with the EU, the PCC is the actor which is required to have extensive knowledge about the EU as well as of Thai firms and the Thai state. This is because the PCC has the duty to form friendly relations and maintain contact between the Thai state, Thai firms, and the EU commission officials, diplomats and European firms.

The PCCs claim that their main strategy is to strengthen linkages between the firm and the state. It is not to generate ideas for policies or to initiate policy in any way (Peganun 1996: 48). This means that the PCCs spend most of their time in trying to understand the needs and requirements from both firms and government and then providing means of linking these two together (Wattana, 2002:28). The PCCs argue that their roles are very important and that they retain a role in policy-making process because the state needs to receive as much knowledge as possible about firms and the private
sector in order to make policies which are relevant for the competence of Thai companies. This means that the PCCs see themselves as organizations which have a significant impact on policies. This has also led to some firms making use of lobbying with the PCC to influence state policy (Interview: 17).

This section shows that there is a ‘vision’ of Thai external commercial policy given by the state, practical strategies conducted by firms, and a struggle to fulfill this important role of mediating between state and firms by PCCs. The next section discusses the effectiveness of these actors in their respective roles.

The effectiveness of Thai actors in the policy-making process.

When an analysis of Thai trade problems with the EU is made, the main problems seem to stem from two basic factors. The first factor is Thailand’s – that is the Thai state’s - ability to compete and to be effective in competition in the global market. The second factor is that the EU might be sometimes seen as a difficult partner because of its complex institutional structure as well as its tendency to become protectionist in relation to its market. This means that Thai actors have had to pursue a two-pronged strategy in dealing with the EU. The first strategy is trying to adjust state policies and negotiating position to cope with the EU’s complexity and sometimes protectionist ways. The other is to adjust firm strategies so they can be more effective in competing in the EU’s market.

Evidence in chapters two to four shows that both the private sector and Thai governments have gone for a mainly problem-solving and practical strategy to deal with the EU. This means that they wait for problems to happen and then try to solve the problems when they take place. If problems do not take place, Thai actors might just continue using any practical strategy without having advanced planning to take advantage of their partnership with the EU. Overall, the evidence shows that Thai actors have not been notably effective or forward-looking in their commercial relationship with the EU, and this is due to several reasons.

The first reason is because there is an internal conflict among the actors within the Thai bureaucratic civil service. The previous section showed how, in the state structure, the civil service has a very important role in creating and implementing policy. While
governments come and go, civil servants remain in position for several decades and are able to carry on policies for a long time.

The key bureaucrats in Thailand’s external commercial policy-making with the EU are the MFA and the MOC. During the interviews conducted with civil servants within these two organizations, the lack of coordination and correspondence of policies between the bureaucratic organizations was very clear. The MFA has traditionally been responsible for international relations with the EU, but recent trends in Thai foreign policy have forced the MFA to adapt and become more proactive in Thailand international trade relations. The MFA civil servants are normally generalists in international relations, and few have specific training in international trade issues or economics (Interview: 1, 3). The MFA civil servants, however, are normally accepted as the primary contact for any important issues between Thailand and international partners (Interview: 1, 6). On the other hand, the MOC civil servants are trained experts in issues of commerce as well as international trade and deal with technical issues about trade, tariff and regulation. They are not, however, international relations experts and are not normally knowledgeable about diplomatic protocols, communication channels, and have few international contacts at a high level (Interview: 31, 14). This puts the MFA in a position as those who know most about the outside world, and the MOC as those who know most about technical trade issues (Interview: 6, 7).

It is clear that both skills are needed, but this separation of skills into two different ministries has caused difficulties in policy coordination and correspondence between the two bureaucracies. During the interviews, both organizations claimed with a strong degree of certainty to be the key actor in the state sector in conducting external commercial policies. This was to such an extent that MFA actors would note how the MOC were unable to communicate their technical demands to the EU without the MFA’s help in lobbying at the high level. The MOC, on the other hand, said that the MFA’s ‘general’ expertise and constant rotation of officials between departments forced the MOC to have to begin briefing to the MFA from the basics again every few years. As a consequence of this inherent power play and the separation of skills between the two ministries, Thailand’s external commercial policies towards the EU has been far from effective, insightful, or forward-thinking (Interview: 6).
The second problem in the Thai policy-making process is the lack of coordination between state policies and firms' implementation of their own strategies. The previous section argued that state policies showed a 'vision' of where Thailand wants its trade relations to go, while firm strategies showed where the trade relations actually are and how they are implemented. In other words, the Thai state and Thai firms can be perceived to be going in completely different directions, a process which can’t be effective since the two most important actors are not working together.

It was mentioned in chapter 3 and chapter 4 that the analysis of the interviews conducted with the state actors and with firms exporting to the EU shows that the general attitude of Thai firms towards the state is negative, especially for those medium and small Thai firms which do rely on state policies to create openings within the EU market for them but the interviews with small and medium firms show that assistance from the government or useful advice are severely deficient. When compared to the assistance the state gives to large firms such as CP, small firms explain that they receive delayed assistance as well as little priority from the state (Interview: 34, 35).

This is not to say that the state is useless to Thai firms, but it has resulted in a habit of problem-solving only when problems occur, instead of a habit of insightful and forward-thinking policies. Small Thai firms, therefore, usually must face trade crisis before the state will be able to understand a problem and provide a correct assistance for the industry in general. Another use small and medium Thai firms have for the state actors is in receiving information about the EU as well as some aspects of communication with EU officials. This particularly includes complicated rules and regulations as well as technical trade issues which are usually sent and archived by the MFA. The MFA then plays an important role in disseminating this information.

An important issue to note is how this problem of state to firm accessibility changes according to the size of the firm. For larger firms such as CP, senior management within the firm can actually gain almost unlimited access to key government figures. This has been particularly true during the Thaksin government, when the government and large firms have been known to have very close ties to each other. One of the findings in this thesis, providing evidence of this intimate linkage between powerful firm and government, is how the secret MFA external commercial policy
documents had mission statements which coincided almost word for word with the CP Group’s strategy for gaining market access to the EU (MFA document 2006, CP document 2006).

The third problem in Thai external commercial policy-making is the lack of trade associations to mediate and communicate between states to firms and firms to the state. The evidence presented in chapters 2 and chapter 4 points towards a different role by the PCCs. While they have been designated as independent bodies established to facilitate firms and provide a better understanding of the private sector to the government (PCC 1981), the PCCs’ role has not been as strong as that of trade associations in Western capitalist societies. The PCCs’ role has turned out to be that of supporting new exporters as well as small exporters who need some support from the government (Peganun 1996: 48).

Moreover, there has been evidence of the limitation of the PCCs’ roles in chapter 4. First, the PCCs have not been given rights to make decisions on important issues. The Thai state sees the PCCs as consultative bodies, only to provide additional information, not as an equal partner in policy formation. Secondly, firms expect more from the PCCs than they have the capability to provide. This has resulted in the PCCs sometimes being seen as ‘useless’ and just another mechanism for the government to gain information from firms through the PCCs (Interview: 3). Thirdly, the PCCs roles are delivered themselves as just a coalition, instead of being a formal organization. Firms see the PCCs as coalitions of partially state and partially private sector actors, while firms are the main members. This particular image of the PCC as an organization means that they cannot deliver on the important task in creating a strong linkage between the government and the private sector (Laddawal 1999:42).

**Corporatism or Clientelism?**

The evidence throughout chapters 2-4 as well as the assessment presented in this Conclusion of the effectiveness of Thailand’s main external commercial policy-making actors suggests that the overall ineffectiveness of Thai actors may have forced informal and indirect collusion between powerful Thai firms and the Thai state. With regard to the
theory of corporatism as presented in Chapter 1, the empirical findings are not fully consistent with the ideas presented in corporatism and this section argues for the further theoretical insight of clientelism to help us understand the way Thai external commercial policy-making works. This section first shows why corporatism is inconsistent with the empirical findings, particularly the interviews. Then this section explains the further insights clientelism offers in contrast to corporatism. Afterwards, clientelism is used to offer new insights into Thai external commercial policy-making.

As examined in Chapter 1, corporatism is a form of interest representation which assumes that social and political organizations and major societal and interest groups mediate their interests in order to come up with a particular policy direction (Schmitter 1974, Wiarda 1997, Williamson 1989). Corporatism assumes that a process of bargaining is conducted between interest groups and the state over collective benefits on behalf of the members of the group (Kurer 1996:645-668). This can be seen in the other way that corporatism mediates interests between major actors, and in the case of the Thai external commercial policy process, this should mean that mediation of interest occurs between the state and firms by the PCC acting in a capacity similar to trade associations aiming to provide a collective benefit for both state and firms.

Corporatism also assumes ‘equivalence of influence among citizens and different interests within society’ (Williamson 1989:19). While corporatist theory does not assume power symmetry between actors, their main concern is in the ‘organisation and the mobilisation of bias involved in organisation’ which is considered as the most important power factor (Cawson 1986:14). This means that corporatist theorists believe that although power asymmetry may exist between actors, this is usually removed through mediation of interests, a corporatist feature which distinguishes the theory from other power asymmetry theories such as Marxism (Cawson 1986:20). Inherently, corporatism believes in more equality of actors rather than theories such as Marxism.

These two given issues, the mediation of interest through actors within the society, and the implication that actors can be treated as equals through interest mediation are corporatist assumptions which are called into question by the evidence suggested by this research, particularly in the interviews conducted for chapters 3 and 4.
Interest mediation between actors, influenced by interest groups and trade associations, does not seem to have taken place in Thailand’s external commercial policy-making. This research has found that the PCCs were considered by the Thai state and firms as only consultative actors with no power or ability directly to influence policy. The PCCs do not negotiate with the other actors in the Thai external commercial policy process and have no authority to do so. Their role is more like that of a public relations department, helping to organize events between the EU and Thailand’s government and firms, rather than having an active role in proposing or negotiating policy. This research originally expected the PCCs, because their organizational structure which consisted of members of firms as well as state support, to be a main actor in interest mediation on their own account, not just a public relations department which provides events for state and firm to meet each other. The PCCs view themselves as a place for firms to lobby the government officials and civil servants, and the PCCs also see themselves as a place where interest mediation between the state and firms can occur. The evidence presented in Chapters 3 and 4 is that the PCCs’ views of themselves have not been fulfilled, and that they only have a supporting role to that of the state and firms.

In contrast to corporatist assumptions, interest mediation has not helped to solve the problem of power asymmetry between the Thai actors. As argued, the PCCs have been sidelined in the policy-making process, leaving the state and firms to lead the way. Evidence further shows that there is also some disparity between the state and firms, as well as between firms themselves. The state, through the MFA and the MOC, has the lead role in negotiating with the EU in all matters which are critical to Thailand’s present and future economic progress. When a trade crisis occurs, it is the government and the civil service which lead the team to negotiate with the EU representatives. When it comes to a matter of high importance in external commerce, whether it is framing important trade policies with the EU or problem-solving, firms rarely have a say and will usually need the assistance of the state. This shows that in issues of high importance, mediation does not occur between the Thai state and firms.

There is also a power disparity between powerful Thai firms and smaller Thai firms. Powerful Thai firms, as a general rule, will usually be provided with greater access to the state as well as to individuals within the state apparatus. As this research has
shown, this priority has at times been so great that Thailand's national bilateral trade strategy with the EU is a mirror image of the CP Group's corporate strategy. Small firms, however, struggle to gain access to the Thai state and can only make use of sections of the civil service for the occasional assistance or for information dissemination.

If corporatism only explains Thailand's external commercial policy-making process to a certain extent, the insights provided by clientelism may shed some further insights. As a theory, clientelism explores a different organizational structure and process of interactions from corporatism. The main difference is that the clientelist actors are concerned more with individual benefits, not collective ones (Wilkinson, 56 ref12). In corporatism, firms will be more concerned with trying to get as many state collective benefits for the group as a whole (Schneider 1997). This means that while interest mediation occurs for the entire society in corporatism, interests are negotiated in clientelism for the mutual benefits of the patron and the clients only (Schneider, 1997: 63).

Corporatism's assumption of each actor as autonomous is also different from clientelism's explanation that actors are unequal and need to depend on each other for mutual benefits. In political clientelism, the patrons are usually not owners of the means of production, but they will normally have the capability of obtaining access to resources of the state (Schmidt, 1970). Lower level patrons act as brokers to mediate between their clients and high level patrons, who control the government and the bureaucracy. Organizationally, clientelism treats the firm's leaders as 'connected with individuals in the government through patron-client ties' (Kurer 1996: 645-668). Kurer explains how, through this process, the firm becomes an integral part of the political structure of the country and 'de facto lost its status as an autonomous body' (1996). With the firms becoming part of the political structure, the patron client network expects to have both formal and informal access to government, which increases the tendency for corruption to happen.

Clientelism's assumptions on the patron-client relationship seem to be a more accurate description of Thailand's external commercial policy-making at the top level, between the state and powerful Thai firms. Evidence shows that during the Thaksin government, major firms with which Prime Minister Thaksin had a close personal
connections benefited from state policy to a great extent. CP is one of Thailand's biggest exporters to the EU and as mentioned in chapter 4 they have been facilitated in several ways from the government as CP is the main supporter for Thai Rak Thai political party and some relatives of the prime minister also own significant amounts of shares in CP (Interview: 40, 48, 49). The Thai-EU commercial partnership was not an exception, and the CP Group clearly had a very strong role in influencing government trade strategy towards Europe. This is a view that has been repeated over again by members of the media, officers in smaller firms, as well as high ranking members of the PCC (Interview: 48).

Using clientelism as an explanation also helps to explain how the PCC became only supporting actors in the Thai external commercial policy making process. The patron-client relationship within clientelism is a very strong and mutually benefiting one. It also does not leave room for interest mediation for collective benefits (an assumption made under corporatism). The personal patron-client ties between the Thai state and powerful Thai firms avoid any need to find mediators between the state and the firm. In fact, the Thai state and powerful Thai firms would rather avoid interest mediation because this would require more formality and commitment, options which a clientelist relationship does not encourage. As pointed out in chapter 4, the most successful firms in exporting to the EU are those who use their informal access to government to intervene within the policy-making process rather than approaching government through PCCs.

In conclusion as regards the conceptual framework, corporatism appears to be unsuitable for the analysis of Thailand external commercial relations and will continue to be unsuitable as long as Thailand's political system remains weak and channels for interest mediation continue to be insignificant. As previously noted, this is particularly well reflected in the PCC's merely supporting role in the policy-making process, although the power disparity in the patron-client relationship between the state and firms also makes corporatism only partly appropriate for analysis of Thailand's external commercial policy-making process.

This research started off by assuming that the Thai actors were more or less on equal footing and that policy would be a result of mediation rather than collusion between patrons and clients. The various interviews conducted clearly showed that the power
disparity between the state and other actors was clearly too large for policy mediation to occur effectively. In addition, the power disparity was actually conducive to an atmosphere of policy collusion, a finding in this research which was implied in many of the interviews conducted. This has necessitated a reconsideration of corporatism as a conceptual framework, and as noted, has strengthened the case for clientelism as a more relevant conceptual framework.
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Interview list

6th-30th December 2005

1st week

1. Ministry of Foreign Affair, Department of European Affairs Division I (EC and Western Europe): I
2. Ministry of Foreign Affair, Department of European Affairs Division I (EC and Western Europe): II
3. Ministry of Foreign Affair, Department of European Affairs Division I (EC and Western Europe): III
4. Ministry of Foreign Affair, Department of European Affairs Division I (EC and Western Europe): IV

2nd week

5. Ministry of Commerce, Department of Trade Negotiation: I
6. Ministry of Commerce: Department of Trade Negotiation: II
7. Ministry of Commerce, Department of Trade Promotion: III
8. Ministry of Commerce, Department of Trade Promotion: IV

3rd week

9. Delegation of The European Commission
10. Kasetsart University, Faculty of Economics, Academic
11. Sanguanwong Starch Company

4th week

12. CP Group, Shrimp export division
9th May 2006 – 22nd June 2006

1st week

13. Ministry of Foreign Affair, Department of European Affairs Division I (EC and Western Europe) : I
14. Ministry of Foreign Affair, Department of European Affairs Division I (EC and Western Europe) : II
15. Ministry of Commerce, Department of Trade Promotion
16. Ministry of Commerce, Foreign Trade

2nd week

17. Federation of Thai Industries I
18. Federation of Thai Industries II
19. Federation of Thai Industries III
20. Federation of Thai Industries IV
21. Federation of Thai Industries V

3rd week

22. Ministry of Foreign Affair, Department of European Affairs Division II (Northern and Southern Europe) : I
23. Ministry of Foreign Affair, Department of European Affairs Division II (Northern and Southern Europe) : II
24. Ministry of Foreign Affair, Department of European Affairs Division II (Northern and Southern Europe) : III
25. Ministry of Foreign Affair, Thai Embassador in Brussle
6th week

26. Thai Banker's Association
27. CP Group, Shrimp export division, I
28. CP Group, Shrimp export division, II
29. CP Group, Shrimp export division, III

7th week

30. Thai Chamber of Commerce, Europe Division: I
31. Thai Chamber of Commerce, International Trade: I
32. Thai Chamber of Commerce, International Trade: II

5th December 2006 – 10th January 2009

1st week

33. Ministry of Foreign Affair, Department of European Affairs Division I (EC and Western Europe): I
34. Pak Food, International Marketing: I
35. Pak Food, International Trade division: II

2nd week

36. CP Group, International Trade Division
37. CP Group, Chicken Export Division
38. Thai Chamber Of Commerce, Export Division
39. Thai Chamber Of Commerce, International Trade
3rd week

40. Matichon Newspaper: Political Journalist
41. Kaosod Newspaper: Business Journalist
42. Thai Export Bank, Export Division
43. Thai Export Bank, international co-operation

5th week

44. Thammasat University, Faculty of Politics, Academic
45. Ministry of Commerce, Department of Trade Promotion
46. Matichon Newspaper: I

6th week

48. Kaosod Newspaper: Political Journalist
49. Kaosod Newspaper: Thai Political Journalist
50. Ministry of Agriculture and Cooperatives: Department of Fishery
Appendix:

Interview main questions:

Ministry of Commerce


department of Trade Negotiations
Department of Foreign Trade

- From the past to present, has Thailand been more successful in negotiation with the EU?
- Who are the main actors in most negotiations?
- What are the main issues in all negotiations?
- Did the different actors realise different levels of success?
- What are the main strategies of each type of actor in the negotiation?
- What are the factors which control the direction of strategy? (situation in Thailand/the EU, player, issue)?
- What is your role in the policy-making process?
- What is the nature of cooperation between your agency and other agencies while dealing with issues of Thailand's economic interaction with the EU?
- Could you describe the process of cooperation between your agency and other agencies?
- What kind of problems have you encountered regarding inter-agency cooperation so far?
- What kinds of channels for cooperation have been established? Are the channels mainly official, or are there ad hoc means of cooperating as well?
Department of Thai export promotion

-What are the main Thai exports to the EU? Why have these exports been more successful than others?

-How does the Thai Government help Thai export company promote to the EU market? Are there specific strategies or are most of them made up as issues start to arise?

-In your opinion, who are the main actors in promoting Thai company to export to the EU? (company/government/organization)?

-Did the different actors realise different levels of success in promoting Thai exports to the EU market?

-What are the projects which the government initiated in order to promote Thai exports to the EU? (the lists of the project)

-How can the projects or plan help to enhance Thai exports ability to the EU market?

-Did the plan/projects help Thai exports to increase their ability in competing in the EU market?

Department of Foreign Trade

-What is the general picture of trading between the EU and Thailand?

-What are main factors which have impacts on change of the trade relations between Thailand and the EU?

-What are the sensitive goods when Thailand exports to the EU? How problematic are the issues of sensitive goods, according to the department of foreign trade?

-What are the non-sensitive goods when Thailand exports to the EU?

-Compared to other trade partners of Thailand, is the EU a more difficult partner?

-Which other organizations are responsible for Thai exports to the EU?

-From the past to the present, has the picture of Thai exports to the EU been clearer in the way that Thai exports will be able to grow more in the EU market?
Academics

- Does Thailand have an actual ability or capacity to compete effectively in the EU market?

- Is the EU a significantly important market for Thai exports? (if not the EU, are the rest of the markets enough?)

- In order to promote Thai export and reduce trade conflict between Thailand and the EU
  - Who should be the main actors in the situation?
  - What role should each actor play?
  - Have these actors and roles been delivered in a real situation?

- Are the strategies which have been adopted at the moment making use of the correct approach in dealing with the trade conflicts between Thailand and the EU? Do these strategies help to enhance Thai export ability?

- What else should the Thai government/ firms/ PCC do in order to increase the ability of Thai exports in order to increase its exports to the EU market?

Ministry of Foreign Affair

- What is the general picture of the relation between the EU and Thailand?

- What are the main conflicts in the relation between the EU and Thailand?

- From the past to present, has Thailand been more successful in negotiation with the EU?

- Compared to other trade partners of Thailand, is the EU a more difficult partner?

- Who are the main actors in most negotiations between the EU and Thailand?

- Did the different actors realise different levels of success in promoting relations between Thailand and the EU?

- What are the main strategies of each type of actor in the negotiation?
- What are the factors which control the direction of strategy? (situation in Thailand/the EU, player, issue)?

- What are the projects which the government initiated in order to promote relations between Thailand and the EU? (the lists of the project)

- How can the projects or plan help to improve relations between Thailand and the EU in order to increase Thai exports ability to the EU market?

**Firms**

- What are the main exports of your firm to the EU?

- Have these exports been successful?

- What are your main strategies in cooperation with the PCC and Government? Does it work? How does it work?

- What are your main strategies in promoting exports to the EU? Does it work? How does it work?

- How does the Thai Government or PCC help your firm promoting to the EU market? Are there specific strategies or are most of them made up as issues start to arise?

- In your opinion, who are the main actors in promoting Thai company to export to the EU? (company/government/organization)?

- Did the different actors realise different levels of success in promoting Thai exports to the EU market?

- How would you describe cooperation between your firm and the PCCs?

- How would you describe cooperation between your firms and the state?

- What are the factors which control the direction of strategy? (situation in Thailand/the EU, player, issue)?

- What is your role in the policy-making process?

- What is the nature of cooperation between your agency and other agencies while dealing with issues of Thailand's economic interaction with the EU?

- Could you describe the process of cooperation between your firms and other agencies?
- What kind of problems have you encountered regarding inter-agency cooperation so far?

- What kinds of channels for cooperation have been established? Are the channels mainly official, or are there ad hoc means of cooperating as well?

PCC

- What is your role in the policy-making process?

- What is the nature of cooperation between your agency and other agencies while dealing with issues of Thailand's economic interaction with the EU?

- Could you describe the process of cooperation between your agency and other agencies?

- What kind of problems have you encountered regarding inter-agency cooperation so far?

- What kinds of channels for cooperation have been established? Are the channels mainly official, or are there ad hoc means of cooperating as well?