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The Public Policy Process and Political Change in Thailand: A Summary of Observations[1]

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Thailand's race toward newly-industrialized country status has been accompanied by more and more political pluralism. But it is hardly certain whether such pluralism translates directly into more equitable industrialization. Indeed a preliminary reading of the evidence suggests not. To what extent might this be attributed to the *process* of decision making in Thailand? What institutional and political variables are relevant?

This brief discussion of broad national trends presents two findings. First, changes in the framework of decision making in recent decades have strengthened the voice of private business, and in particular of urban industry, in the policy-making process. This has resulted in the formation of a loose coalition of official and industrial interests which now dominates development strategy in Thailand. Second, because of the influence of this coalition over policy, proposals to spread the fruits of growth to the countryside favor industrialists over farmers, although farmers constitute the majority of the labor force. While electoral politics constitutes one means to broaden the range of participants in decision making, democratization of the policy process has worked primarily to the advantage of industry.

EVOLUTION OF THE FRAMEWORK OF PUBLIC POLICY

A number of developments have introduced increasing pluralism into the framework of Thai public policy since the 1960s. One is the diversification of the manufacturing sector and the organization of business into professional interest groups. While the state provided infrastructure and incentives, the private sector became the engine of economic growth. Under an import-substitution policy, firms diversified rapidly from banking and commerce into manufacturing of consumer goods for the domestic market. Economic growth averaged 7 percent per annum during the 1960s, while growth in manufactured exports averaged over 9 percent between 1960 and 1973.

A parallel development is democratization after 1973. While elected governments tend to be unstable or even short-lived, continuity lies in the fait accompli that elected representatives now participate in key national decisions. This affords more avenues for the population to express its varied interests, and it places more distributive pressures on the allocation of national resources. A third development is the professionalization of the bureaucracy and the rise of economic technocrats in key policy making positions.

Two variables concerning these developments are relevant to the substance and process of decision making. The first involves the organization of these participants and the methods by which they voice their preferences. Second we consider how their preferences are introduced into the decision-making process.

Organization of Policy Participants

In terms of formal political organization, business participates in policy making at three levels. Nationally, "peak" associations—the Board of Trade, the Thai Bankers' Association, and the Federation of Thai Industries—were created in the 1960s to facilitate formal consultations with senior government officials. Already during the Third Development Plan (1972-1976), peak associations participated regularly in policy subcommittees of the national planning board, or NESDB (National Economic and Social Development Board). At the regional level, provincial chambers of commerce proliferated during the 1980s, increasing from seven in 1981 to 67 in 1986. And at the sectoral level, trade associations representing specific industries grew from 48 in 1967 to 233 in 1987. These venues have enabled private business to become an advocate in goal setting and policy implementation.[2]

For electoral politics, party organization can represent interests in a variety of ways. At least since the demise of the Left in the early 1980s, Thai parties by and large have not split along class, ethnic, or ideological lines. This differs, for example, from some Latin American countries where labor parties vie against conservative or middle-class parties. Thailand's are "catch-all" parties, meaning they cut across these socioeconomic divisions and capture votes from all strata of the population.

This mutes urban-rural or class divisions, especially in the provinces. But, because constituencies are so broad, this also discourages the formation and feasibility of coherent policy platforms among the parties. In other developing countries, catch-all parties that promote sweeping land reforms may lose support from landowners. Or parties proposing an import-substitution trade regime may lose backing from farmers and traders producing for export. In Thailand during 1975, parties promising crop subsidies to rural voters drew protest against higher food prices by urban voters, rendering the policy inviable. And so on.

Finally, professional technocrats have acted as key players in decision making at least since the 1950s. Reforms carried out in 1958-1960 saw the creation of the national planning board and an independent Bureau of the Budget, along with the strengthening of the Bank of Thailand and the Ministry of Finance. Fiscal and monetary policies were insulated from bureaucrats and politicians alike. Structural adjustment requirements during the 1980s resulted in officials from these agencies participating in the Cabinet with almost unprecedented authority. While the role of technocrats in any one government tends to be subject to political fashion, the technocrats' control over the national budget and monetary issues remains firm.

Representation in Decision Making

The private sector is factored into policy making in both regularized and ad hoc fashion. Peak associations participate mainly through the Joint Public-Private Consultative Committee (JPPCC), created by the NESDB in 1981. This is not a formal decision-making channel but a venue in which peak representatives can voice their opinions about current or future policy.

Peak consultation deals more with broad policy issues, such as taxes and tariffs, than with specific sectoral issues. The latter are managed by sectoral committees. These committees involve senior civil servants, Cabinet ministers, and members of trade associations. Unlike the JPPCC they act as formal decision-making venues. Trade associations or individual businesses also lobby elected members of parliament (MPs) on an ad hoc basis. The strengthening of parliamentary committees during the previous government opened more channels for this style of input. In an elected government, peak associations, too, consult frequently with elected ministers and collaborate with parliamentary committees.[3]

The hallmark of the parliamentary form of government is, of course, the elected Cabinet minister. An elected minister participates in nearly all aspects of policy making at the national level. Discretionary powers conferred on the minister by his or her portfolio send signals to voters that there are policy distributions available within the realm of laws and measures at the minister's disposal. Because Thai party policies are vague or nonexistent, party leaders sway voters not with ideology or platforms which suggest ways that discretionary powers will be used, but simply with promises that the party will join a coalition and hold Cabinet posts.

Policy measures available to elected politicians are concentrated at the national level and primarily in the Cabinet. Since local representatives do not hold posts in provincial administration, there are few channels at this level, indeed if any, for the average citizen to influence policy formulation. This generates a bevy of demands from the localities that beckon attention from ministers far away in the capital. Combined with the catch-all nature of the parties, such demands place great pressure on elected ministers to deliver favorable policies to a vast strata of interests. The complexity of these pressures is accentuated by the fact that many MPs are funded by Bangkok business elites but they are elected, in the main, by rural voters.

Conspicuously absent in this "democratic" structure are laborers, farmers, the poor generally. Independent farm and labor associations were oppressed by the State in the mid 1970s. The only group to establish a firm presence in policy making is the sugarcane farmers, and this group is led and funded by large, commercial growers. Together with sugar millers, they have pressured the government to raise consumer prices of sugar to their own benefit. Large oil palm producers have made some strides in the same direction. But formal associations have been forbidden to most other farmers. Instead those farmers rely on their politicians to deliver a piece of the surplus harvested by the central government.

The role of technocrats—meaning top planners and advisers—has undergone periodic modification. They usually are accorded a strong voice during worsening economic conditions. Examples include the 1958-1960 period, when measures were taken to curb fiscal mismanagement, and 1980-1988, marking a period of structural adjustment and external debt moderation. But several agencies enjoy a continuously strong role, including the Central Bank, the Budget Bureau, and the Ministry of Finance. The NESDB, which was given great powers to vet investment and policy decisions during 1980-1988, has been more subject to political fashion.

The administration elected into power in 1988 reduced the role of top planners, notably of the NESDB. Arguments were made to the effect that, in a democracy, key decisions ought to be managed by elected officials. Use of the JPPCC was moderated as well to give more space to elected ministers and sectoral committees. The present interim administration again gave technocrats discretion to manage legal and bureaucratic reforms deemed necessary for sustainable growth. But elected leaderships are hardly adverse to technocrats. Experts in various policy issues almost always become advisers to elected prime ministers.

PERFORMANCE AND CONSEQUENCES OF POLICY

What results have these changes in the policy framework produced? On the surface the evidence suggests that the framework of policy in Thailand is quite flexible and responsive to a broad cross-section of interests. It also suggests competence in the management of the country's affairs, and Thailand's economic performance implies as much. Are current institutions and processes fit to meet new developmental challenges such as the growing gap between the rich and the poor, or disparities between industry and agriculture? How has public policy performed in these areas thus far?

Macroeconomic Versus Sectoral Policies

Thailand is praised repeatedly for its sound, conservative monetary and fiscal policies. Good performance in these areas is due partly to the relative independence of the Central Bank and the Budget Bureau from "political" interference, and partly to the ability of senior technocrats to take difficult measures at appropriate times. The oft-cited example is the devaluation of the baht in 1984, when central bankers faced opposition from within and outside of government.

Government finances are guarded in a number of ways that are unique when compared to other market economies in Southeast Asia. Since 1958, laws governing credit allocations have prevented the Thai government from guaranteeing private sector debts. Thai firms, by and large, have relied on private credit at commercial rates rather than hand outs from political patrons.

The management of fiscal policy is praised in the same respects. Thailand has an extremely rigid budget process that affords the Budget Bureau overwhelming authority. Parliament, for example, has influence only on the allocation side, after funds have been appropriated for competing agencies. This rigidity is said to moderate debt-creation because the Budget Bureau enjoys autonomy from the agendas of specific governments in power. Moreover, it curbs incentives, familiar to Latin American countries with large income gaps between the rich and poor, "to use macroeconomic policies to raise the incomes of lower-income groups, which in turn contributes to bad policy choices and weak economic performance."[4] Even with the recent fiscal surplus, successive governments have adhered to discipline. This contributes to low inflation and Thailand's reputation among international investors for "getting the incentives right."

While the "insulation" of the budget prevents electoral cycles from generating periodic spending sprees, the record of austerity is, however, mixed. The budget process is less immune to demands from other government agencies than to the demands of politicians. External debt became a serious concern only in the late 1970s, following American military retrenchment from the region. This encouraged successive governments to launch a rapid weapons build-up. Budget constraints led to the financing of this effort with foreign loans. These expenditures are now cited as a main cause of deteriorating external accounts in the early 1980s.

A political consequence of rigid macroeconomic policies is that elected ministers rely on sectoral policies to deliver those benefits that quite naturally are demanded by interest groups and voters alike. These policies involve four principal areas: trade and industry, including quotas, licensing, and factory promotions; price subsidies for agricultural commodities; procurement; and infrastructure contracts. Elected governments have done better at giving organized cartels access to these resources than at using these policies to create programs for the electorate at large.

In rice policy, for example, politicians were far more eager to deliver ad hoc subsidies to target recipients than to eliminate export taxes and thereby raise prices for every farmer. Part of the reason was that influential rice millers "captured" these schemes by lobbying politicians for subsidies, claiming they would pass higher prices on to specific groups of farmers who often resided in strategic voting districts. Only on occasion did farmers receive higher prices.[5]

In this case the formal policy framework facilitated such an outcome. While rice farmers were allowed no trade association for articulating their demands, millers speak formally through the influential Rice Millers Association. This case suggests that the policy process has done a relatively poor job at enhancing opportunity for the economically weakest of the population while it can enable more powerful groups to grab resources from the public trough. A similar logic could be applied to state reforestation schemes, in which untitled farmers encroaching on public forest reserves are evicted, often forcibly, and the properties are leased in turn to commercial tree planters for only a marginal fee.

Effectiveness of Public Agencies

It has become common and often convenient to blame politicians for perceived inconsistencies in policy. But it is important not to leave the quality of the machinery that manages policy free of scrutiny.

The literature on bureaucracies in developing countries offers two contrasting ideal types. On the one hand there is the "developmental state," based on the Japanese model.[6] Rigorous exams restrict entry into the civil service, promotions and relationships stress achievement, and collaboration between industrialists and administrators creates consensus over goals and facilitates sustainable growth. On the other hand there is the "predatory state." Civil service posts are purchased, promotions are based on personal loyalties, and relations between industrialists and administrators turn on market-like exchanges in which policies are sold and profits are shared. Predatory states are said to contribute to the quick plundering of resources and they impact negatively on economic performance.[7] How does the Thai bureaucracy perform?

Incentives: Work incentives and promotions have changed significantly from the day, many decades ago, when the civil service was regarded primarily as an estate conferring elite status and privilege. Irregular incomes appear to have lessened in significance as an incentive for joining the service. Educational achievement is pervasive. In 1987, 61 percent of rank C9 through C11 officials had achieved a Master's degree or higher. The vast majority of those degrees were earned abroad. And over one-fourth of serving permanent secretaries held Ph.D.'s in their fields of service.[8] But recently "brain drain" is a widespread concern as qualified officials leave the service for more lucrative positions in the private sector.

Incentives remain for officials to shirk public duties and to grab opportunities for personal gain. Codes of conduct are defined by ambiguous standards. A casual glance at official listings shows that most senior officials, notably in the economic ministries, sit on the boards of major corporations. This gives the appearance of a very thin line between public service and the private interests of officials. Some officials interviewed claimed that the auctioning of office promotions persisted in some departments, albeit on a limited basis.[9] Such an environment gives incentives for officials to use their positions to generate private revenues, or to engage in those market-like exchanges associated with the predatory state.

Institutional Structure: While staffed with considerable expertise, the bureaucracy does not act as a unified entity with a common or even clear developmental purpose. Multiple agencies involved in common policy issues—such as land and irrigation—operate as separate organizations. This segmentation and duplication of functions creates enormous incoherence in policy formulation and implementation. Moreover, legal mandates empower agencies with authority that is autonomous from the remainder of government. These factors combined allow many agencies to define public policy according to narrow agency goals. The Commerce Ministry, for example, enjoys a legal status similar to that of a state enterprise. In its management of government-to-government rice sales, the Ministry has legally defined "public" objectives in terms of income to the Ministry from rice trading.

Not all areas of policy produce losses or inefficiency. Thailand's exploitation of natural gas reserves is an example of state intervention that successfully spearheaded the development of an industry—petrochemicals—in which Thailand had no previous comparative advantage. In this case risk was spread between the state and private investors, and state enterprises facilitated the adoption of new technologies. This effort was supported by close consultation between the state, commercial bankers, and domestic firms. Coordination was imposed on government agencies by a coordinating committee. Consultations were transparent.

In other cases the policy framework empowers well-connected entrepreneurs to confiscate public goods for private use. Examples abound of instances in which dams and reservoirs were created while title deeds to adjoining farm properties were delivered to resort and golf course developers who exploited the new water resources. While these practices could be rationalized as unfettered supply and demand, they amount to nothing less than outright subsidies to the rich at the expense of every taxpayer. Another example is the Commerce Ministry's practice of buying rice at target prices and selling it at a loss. Often the rice is sold to Thai commodity exporters who in turn peddle it for profit. In this case the taxpayer subsidizes wealthy merchants while only marginal gains, at best, accrue to the rice farmer. These transactions escape the bounds of normal budget procedures and hence there is no way for an elected parliament to scrutinize them even on the allocation side.

Agriculture and Industrialization

There can be little doubt that development policy has been governed by a push toward rapid industrialization. Despite frequent conflicts among firms, interest groups, and public agencies over specific policy allocations, common fortune is found in this ruling national project. Tariff exemptions, export subsidies, infrastructure, licensing, and tax policies have favored industry over agriculture. For decades Thailand taxed the rural sector to generate revenues for the State and to keep prices of foodstuffs low for urban wage earners. It was only in 1985, after the U.S. government began subsidizing American rice exports, that taxes on rice exports were reduced to zero.

For most of the period after 1950, rural spending concentrated on irrigation, roads, and electricity. While enabling diversification and distribution of farm commodities, these public goods served primarily to shore up the State's rural tax base. As a food surplus country, policies were never geared toward the goal of maximizing production and self-sufficiency. Most irrigation was confined to the Central plains. Spending on research and extension services rose considerably after the 1970s, but yields on major crops remain among the lowest in Asia.

Nonetheless, agricultural output expanded steadily during this period, partly because of land abundance, and partly because of foreign demand for Thai commodities. These factors, combined with the resourcefulness of Thai farmers, have enabled Thailand to become the world's top rice exporter and to rank among the world's leading exporters of cassava and sugar. But Thailand must achieve a "second wave" of diversification into horticultural crops and aquaculture if it is to diversify farm incomes and remain competitive. This wave requires more technology, research, and policy coordination than what governed the "first wave" out of rice. The urgency of a refurbished approach is equally pressing in light of demographic trends. Assuming current population growth, over 40 percent of the labor force will reside in farm households in 2010, compared with roughly 65 percent today.

The demands of the "second wave" have not been lost on senior policy makers. Officials at the Ministry of Agriculture and Cooperatives and the NESDB advocate more crop research and tangible support for farmers. While there is little agreement over a specific strategy, officials appear to agree that problems *stem from a shortage of commercialization*.[10] This assumption was articulated as early as 1975 when the newly-elected government took measures to support agriculture. A major part of that effort was the mandate that commercial banks lend a set portion of their portfolios to agriculture. State-subsidized credit, too, expanded through the Bank for Agriculture and Agricultural Cooperatives, or BAAC.

Measures proposed to achieve the "second wave," and the process through which proposals were arrived at, reflect the rather marginal value conferred on the farmer by the industrialization process.

Privatization Strategy: Top planners now identify large agribusiness firms as a tool in the stated effort to speed up commercialization and to tackle the "second wave." In theory, large firms provide at least two resources now in short supply. First, they are more equipped to provide long-term capital than the average small-holder growing rice or cassava. Such "risk" capital is required for expansion into tree crops, livestock, and aquaculture. And second, the second wave is far more research-intensive than the first. Private firms may be able to absorb research costs and thereby relieve the strain on the public research apparatus implied by more sophisticated crop production.

The decision to incorporate agribusiness was made by planners, senior Ministry of Agriculture officials, and businessmen. Farmers had no input, not even indirectly through elected representatives, though such a strategy is sure to affect their livelihood. How? A stronger role for large firms implies at least two things in the countryside. First, it could result in the promotion of large plantations. The decision to make lands available for such an activity would be negotiated by investors and by land and forestry officials. The latter have repeatedly demonstrated their lack of interest in hearing out the farmer's position on what should be done about degraded forest reserves, the likely location of commercial plantations. And second, it implies more contract farming, the arrangement in which farmers produce select goods for the company at a fixed price in exchange for inputs such as fertilizer, seed, and credit at a fixed cost. The arrangement is said to promote adoption of new inputs and to cut brokerage and marketing costs. But because contracts are binding the farmer loses, for example, when the weather is unfavorable or when the free market offers higher prices.

National Agricultural Council: Proponents of this proposal argue that farmers would have more influence over the above decisions. Farmers would participate with officials and business executives in production planning and price setting. Curiously, however, farmers were not consulted regarding this proposal, either. Farmers who volunteered their opinions to the media supported the idea of participation but disagreed with the Council's proposed substance. Most importantly, they argued against the process by which farmers' representatives would become members of the Council. Farmers would not select their own participants. Selection would be carried out bureaucratically, under the direction of the Ministry of Agriculture. In contrast, many farmers stated they would prefer to participate in such a council as one or more formal trade associations, which would give them legal bargaining leverage on par with industry.

But as proposed, the decision-making process would facilitate what the Council appears to be designed to do: empower officialdom and agribusiness to implement commercialization of the "second wave," while engineering compliance among rural labor. The evidence points in this direction. With vast powers to regulate, tax, and coerce, the Council implies severely limited choice for the average farmer. It would decide what crops would be produced nation-wide, it would have the right to levy commodity taxes and to use the proceeds for research and crop support on a selective basis, and it would punish farmers who shirk contract-farming obligations. Tax burdens would be passed down to the farmer, just as under the rice premium. Backed by officialdom and agribusiness, the Council offers no effective mechanism to make it accountable to the independent interests of the average farmer.

CONCLUSION

It should come as little surprise, then, that election campaigns court the countryside with talk of action on issues such as land and crop prices. But democratization has done little to change the substance of development policy in Thailand. Elected governments, faced with the unenviable task of pleasing a rural electorate, many of whom are poor, have been unable to forge an agenda to enrich agriculture and reduce the gap between that and industry. This has led officials and businessmen to propose a more consultative approach to policy making in the area of agriculture. Exemplified by the proposed National Farm Council, the approach resembles policy-making venues created in industrial policy areas during the past decade. While the Council's proponents regard it as an improvement over the often ad hoc aspects of electoral politics, it evidently would come at a cost: farmers could be subject to more official control and their freedom to choose could be limited substantially.

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