POLICY TRANSFER IN PRIVATISATION:
THAILAND’S EXPERIENCE WITH TELECOMMUNICATIONS

by
Issariyaporn Chulajata, B Eco, Postgrad Dip, M Sc, MBA

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ABSTRACT

This thesis addresses privatisation as a topic of particular significance to the transformation of state and state activity in most countries over the last two decades. It does this with reference to Thailand’s telecommunications arrangements in light of ideas about policy transfers and policy networks. These ideas have been well discussed and debated in recent years and are relevant to an analysis of privatisation initiatives in the area of telecommunications, just as they are in many other areas of public policy and management. The ideas and the privatisation developments to which they are related in the thesis have assumed even greater importance in an era of globalisation in which systems, policies, practices and networks are internationalised while also domestically oriented. These matters are recognised as the discussion unfolds in the thesis.

The thesis also considers the adequacy of existing theories of policy transfer in the light of Thailand’s telecommunications privatisation experience. This thesis provides grounding upon which contemporary telecommunications privatisation policy transfer issues can be contextualised and understood. This thesis refers to elements from policy transfer frameworks and a network perspective to examine policy transfer. Applying policy transfer and policy networking into a conceptual framework is a useful tool to explain the motivations of policy makers who engage in the policy transfer process, the type of policy transfer that takes place, and the different agents that enter or exit the policy arena. In addition to defining the key terms underpinning privatisation policy transfer and network analysis, this thesis has identified some of the key players, organisations and structures that propagate the telecommunications privatisation policy network. While the analysis of policy transfer has been examined at both the national and local levels, policy actors are increasingly enmeshed in privatisation transfer processes and relationships that extend across national borders, and the network metaphor neatly encapsulates relationships and transfers that are both national and international in scope.

Despite a burgeoning literature on cross-national policy transfer, there have been few of any systematic case studies to identify problems or complications in the practice of policy transfer. The process of privatisation needs to take into account the interplay of various historical, political, economic, legal, cultural and social elements. The thesis therefore used a broad perspective covering the range of factors, actors, conditions and circumstances that have
facilitated or inhibited the development and eventual privatisation of SOEs in the telecommunications sector.

This thesis then sets forth a model of privatisation policy transfer in Thailand taking into account the interaction among domestic and international actors. This simple model, far from being static, has been developed to capture the dynamic and complex network of interrelationships in policy transfer involving international and domestic stakeholders. Telecommunications privatisation policy transfer to Thailand highlights the constant interactions among multiple stakeholders, both domestic and international, during the privatisation policy transfer process.

The thesis, although focuses on a developing country-Thailand- and on a specific sector, the conclusions drawn can be generally applicable to policy transfer whether undertaken in developed or developing countries. The thesis discovers that policy transfer emerges as a complex, non-linear process. To understand this process, the thesis traces the elements that have both driven and inhibited privatisation, thereby revealing the unique aspects confronting Thailand in its move to transform the ownership structures practices and policy frameworks inherited from the past. As will be argued, political instability and disagreements over policy frameworks and transparency have effected privatisation, and hence the ultimate outcomes of the telecommunications privatisation process in Thailand remain uneven and unclear.
ACKNOWLEDGEMENTS

It has been a great honour and privilege to have Professor Mark Turner as my supervisor and mentor. I am indebted to him for sparing no effort in assisting me throughout my study with his insightful knowledge and broad experience. His dedication, understanding and encouragement has assisted me to accomplish my study goals while maintaining a good work-life balance. My gratitude also goes to the University of Canberra for research and financial assistance. A great thanks to both Professor John Halligan, who admitted me into the Division of Business, Law and Information Sciences; and Professor Roger Wettenhall who also provided me with valuable academic guidance during Mark’s study-leave.

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To my three siblings - Captain Suthee, Alongkorn and Sumet Chulajata, I am thankful for your ongoing support throughout all these years. Your experiences and knowledge of the corporate world and global politics has given me great insight and inspiration for this thesis.

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To my family - my everything
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<th>Full Form</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AGC</td>
<td>ASEAN Geneva Committee</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>ATRC</td>
<td>ASEAN Telecommunication Regulators’ Commission</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations</td>
</tr>
<tr>
<td>BOI</td>
<td>Board of Investment</td>
</tr>
<tr>
<td>BOT</td>
<td>Build, Operate and Transfer</td>
</tr>
<tr>
<td>BLT</td>
<td>Build, Lease and Transfer</td>
</tr>
<tr>
<td>BMTA</td>
<td>Bangkok Mass Transit Authority</td>
</tr>
<tr>
<td>BTO</td>
<td>Build, Transfer and Operate</td>
</tr>
<tr>
<td>CAT</td>
<td>Communication Authority of Thailand</td>
</tr>
<tr>
<td>CP</td>
<td>Charoen Pokphand</td>
</tr>
<tr>
<td>CPI</td>
<td>Chulalongkorn University’s Intellectual Property Institute</td>
</tr>
<tr>
<td>CSO</td>
<td>Community Service Obligation</td>
</tr>
<tr>
<td>ECO</td>
<td>Economic Cooperation Organisation</td>
</tr>
<tr>
<td>ECTI</td>
<td>Electronics, Communications, Telecommunications and Information</td>
</tr>
<tr>
<td>EGAT</td>
<td>Electricity Generating Authority of Thailand</td>
</tr>
<tr>
<td>ESCAP</td>
<td>Economic and Social Commission for Asia and the Pacific</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
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</tbody>
</table>
FDI  Foreign Direct Investment
GATS  General Agreement on Trade in Services
GATT  General Agreement on Trade and Tariffs
GDP  Gross Domestic Product
ICT  Information, Communications and Technology
IFI  International Financial Institution
IEC  International Electrotechnical Commission
IEEE  Institute of Electrical and Electronics Engineers
IFC  International Finance Corporation
ILO  International Labour Organisation
IMF  International Monetary Fund
INMARSAT  International Mobile Satellite organisation
INTELSAT  International Telecommunications Satellite Consortium
IPO  Initial Public Offering
ISO  International Standards Organisation
IEC  International Electro-technical Commission
ITU  International Telecommunications Union
MICT  Ministry of Information, Communications and Technology
MBO  Management buy-out
MOF  Ministry of Finance
MTS  Multilateral trading system
MOTC  Ministry of Transport and Communications
NCC   National Communications Commission
NECTEC National Electronics and Computer Technology Centre
NEDC  National Economic Development Company
NESDB National Economic and Social Development Board
NESDP National Economic and Social Development Plan
NGO   Non Governmental Organisation
NPM   New Public Management
NTC   National Telecommunications Commission
OSS   Open Source Software
OECD  Organisation for Economic Co-operation and Development
PAT   Petroleum Authority of Thailand
PMP   Privatisation Master Plan
PTD   Post and Telegraph Department
R&D   Research and Development
SAPs  Structural Adjustment Programmes
SEC   Securities and Exchange Commission
SEPC  State Enterprise Policy Commission
SERC  State Enterprise Reform Commission
SOE   State-Owned Enterprise
TA    Telecom Asia
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>TDRI</td>
<td>Thailand Development Research Institute</td>
</tr>
<tr>
<td>TELSOM</td>
<td>Telecommunications Senior Officials Meeting</td>
</tr>
<tr>
<td>TMP</td>
<td>Telecommunications Master Plan</td>
</tr>
<tr>
<td>TOT</td>
<td>Telecommunications Organisation of Thailand</td>
</tr>
<tr>
<td>TTC</td>
<td>Thai Television Corporation</td>
</tr>
<tr>
<td>TT and T</td>
<td>Thai Telephone and Telecommunications</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USO</td>
<td>Universal Service Obligation</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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Chapter 1

Introduction

Students of public policy are familiar with models of the policy cycle with their clearly defined stages commencing with the identification of issues moving through policy analysis and policy making to implementation and evaluation. Those students also know that while those models allow us to organise and visualise the policy process, they are not accurate description of reality. As Bridgman and Davis (2000, p.31) observe:

A policy cycle cannot capture the full ebb and flow of a sophisticated policy debate, nor does it accommodate fully the value-laden world of politics. Experience shows that the normative sequence is easily disrupted. The policy dance is sometimes seemingly random movements rather than choreographed order.

The policy process is highly complex and dynamic involving continuous interaction between differently reacting and contributing actors who may be present in one scene but absent in the next. If the ordinary domestic policy process is complex and often unordered then international transfer from one place to another can add greater intricacy. While such transfer might seem to offer straightforward available solutions to pressing policy problems, recipient countries attempting to apply policy, created elsewhere, to their own national context experience created what Parsons (1995, p.80) described as the case of an over-simplified policy cycle, comparable to a misleading London underground map:

As a heuristic device the policy cycle enables us to construct a model with which we can explore public policy. But as all heuristic models, it must be treated with caution. Like the underground map of London, we must be wise to the fact that such maps have grave limitations and may distort our understanding. Frogs may have a life-cycle, and living things may be regarded as ‘systems’, but to imagine that public policy can be reduced to such over-simplified stages has more methodological holes than sack-load of swiss cheese.

The term ‘policy transfer refers to a process by which actors borrow policies developed in one setting to develop programmes and policies in another’ (Dolowitz and Marsh, 1996, p.355). Policy transfer has increasingly become regarded as distinct from the conventional model of policy making and has attracted increasing attention from academics (see Evans and Cerny, 2003; Common, 2001). This growing interest is reflected in the identification of different forms of policy transfer including policy diffusion (Majone, 1991), policy learning (Haas, 1992) and policy convergence (Coleman, 1994). Thus, the study of policy transfer now
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encompasses several disciplines and is multi-disciplinary in nature (Evans and Davies, 1999).

This thesis represents a contribution to this growing literature on policy transfer, especially the less studied phenomenon of transfer from developed countries to developing countries like Thailand, the focus of this work.

THE PURPOSE

The general purpose of this thesis is to give greater understanding and add to the knowledge of the policy transfer process as it operates in developing countries, using the example of Thailand. The thesis has four main aims. Firstly, the thesis aims to map the policy transfer process between the developed and developing countries by the detailed examination of telecommunications privatisation policy transfer to Thailand. This case facilitates the identification of the relationship between globaling forces and the increasing occurrence and intensity of policy transfer and its relationship with processes of political, economic, legal and social change in recipient countries. Privatisation policy in particular has been transferred to Thailand through multilateral liberalisation and economic regionalism (Jerram et al., 1997). Hence, the Thai government has joined the privatisation policy bandwagon, slowly discarding its monopoly position by allowing the private sector to enter the telecommunications industry.

The second aim of the thesis is to construct a multi-disciplinary conceptual framework with which to capture the complicated shifting configuration of actors, agencies, themes and initiatives that comprise the policy domain of telecommunications privatisation. The thesis acknowledges the recurrent theme of policy transfer and policy networks that is the relation between structure and agency, or structure and process. Rather than reducing analysis to a singular variable or to discrete instances of transfer, the network perspective enables an understanding of the multiple sites, circuitous pathways and multi-layered networks through which policy makers interact and decisions are made. Thus, the thesis describes the dialectic between structure and agency. It also describes the relations between micro- and macro-levels of analysis, which are key considerations for the theoretical framework.

Thirdly, the thesis combines network analysis and the policy transfer approach to describe and explain telecommunications privatisation in Thailand. This thesis adapts Dolowitz and Marsh’s (1996, 1998) analytical policy framework to understand the complexity of policy transfer. Multidisciplinary is a key feature of this adaptation and reflects the diversity of writing and theory on policy transfer. This thesis, whilst mindful of the restrictions of static
method often used in ‘textbook’ analysis, still utilises the heuristic elements of policy analysis to develop a model. The rationale for studying policy transfer through the lens of network theory is that it facilitates understanding of the process by which privatisation policy has been adapted, developed, implemented and contested during transfer. This process must be considered in light of the participating agents and actors as well as the structures in and through which they operate. Thus, this thesis links the conceptual frameworks of policy transfer and network analysis and uses them to describe, interpret and analyse the historical, political, social, economic, legal and international relations of Thailand. The thesis emphasises the dynamism of this combined model acknowledging that it is can be unstable and can fluctuate due to the multi-layered and complex interactions among both domestic and international actors.

Finally, while the thesis explores and delineates the complex interaction between multiple actors engaged in the privatisation policy transfer process, it also aims to identify and describe both the domestic and international actors engaged in the telecommunications network, and to elucidate some of the key factors that bind these domestic and international strands of the policy network. The thesis acknowledges from the outset that privatisation policy transfer is an intensely political process and so the study necessarily aims to tell the story of the policy transfer in terms of shifting patterns of politics and power.

**HYPOTHESIS AND ARGUMENT**

This thesis has three hypothesis to test:

The first hypothesis states that privatisation policy transfer is non-linear. The thesis disputes that policy transfer is necessarily a simple linear or one-way process in which a policy is transported relatively intact from one place or time to another. The thesis pays special attention to domestic settings and actors, whilst arguing that policy transfer offers no universal solution to policy problems. Thus, local conditions and factors in recipient countries play crucial roles to determine the outcomes of the policy transfer process. The thesis argues that even with an uneven playing field, the recipient country, with nationally specific problems and political processes, tends to react negatively toward the policy transfer process once the rationale behind policy transfer becomes questionable or problematic. This leads up to a normative argument that policy transfer can be viewed as a rational choice only if the
transferred policy is compatible with norms, values and culture of the recipient country. In most cases, the country needs to find its own solutions for its sensitive problems.

The second hypothesis states that privatisation policy transfer has multi-layer and multipaths. The thesis, firstly, argues that privatisation policy transfer is highly complex, but that existing literature rarely and inadequately conveys the complexity that leads to the degree of adoption or the pace of policy transfer. It is noted, that Evans (2004) has recently presented a book containing a broad and diverse range of detailed empirical case studies of policy transfer between developed countries, from developed and developing countries to developed and developing countries. However, the volume does highlight the paucity of such studies as it is perhaps the first published ‘collection of policy transfer between first, second and third world countries’ (Evans, 2004, p.5). This thesis provides a more detailed case study than those in Evans (2004) and sets out much empirical data on privatisation in Thailand in order to delineate the importance of local conditions and factors in recipient countries in determining the outcomes of the policy transfer process. The thesis supports Evans (2004, p.5) in his support of a ‘multi-level explanatory model that accounts for the emergence and development of processes of policy transfer between nation states’ and ‘the importance of finding local solutions to global policy problems’.

The third hypothesis points out that the privatisation policy transfer involves domestic actors (agents), international actors (agents) and environment (structure). The telecommunication privatisation policy transfer outcomes depend upon the interactions between these agents and structures. The thesis argues that policy transfer is not a discrete process confined only to the specific actors involved. Wider contextualisation should be provided – including political, economic, historical, social and cultural conditions and institutions – within which a particular policy is being transplanted. This thesis asserts that the inquiry needs to be broad in scope if it is to capture the multitude of factors intrinsic to policy transfer. A policy network perspective is employed to explain this situation, providing a conceptual framework within which the multifaceted and mediated process of policy transfer may be situated.

The thesis agrees with Common (2001, p.3) that globalisation, advanced communications technology, resource dependence and ‘internationalisation of politics’ expedite privatisation processes and can inhibit a recipient country’s ability to originate its own policy. Globalisation ‘apparently affects the ability of individual states to make policies that are appropriate to their particular political, economic and social contexts’ (ibid). It is argued that
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This global transformation has stimulated interactions among international and domestic policy actors which are played out in the context of various political, economic, legal, historical and social factors. The combination of these factors and the strength of each factor may vary, sometimes quite considerably, between countries. The process characterising the transfer is both complex and contested.

**RESEARCH QUESTIONS**

The thesis attempts to find the answer to the questions of what determine degree of policy transfer and what are the consequence of complexity of privatisation policy transfer. This thesis shows how knowledge about policies in one setting is used in the development of policies in another setting, and further illustrates the consequences of policy transfer from the source nation in relation to those affected actors in the recipient nation. More specifically, this thesis attempts to provide answers to the following research questions regarding Thailand’s telecommunications privatisation policy transfer up to the year 2005:

- How can we depict and define the nature of telecommunications privatisation policy transfer in Thailand?

- What are the important factors that determine what happens in policy transfer from rich to poor countries? Are we simply concerned with specific actors, who are engaged in policy transfer, or is it essential to provide broad contextualisation in order to understand what these actors are doing?

- What are the processes and pace of telecommunications privatisation in Thailand and how can we explain them? For example, how have the transferred policies been filtered through the particular context of the recipient country to reflect local conditions?

- Who are the domestic and international actors enmeshed in the transfer of telecommunications privatisation policy? Do they support or oppose privatisation policy transfer?

- To what degree has the restriction or facilitation of policy transfer by various actors, up until 2005, made privatisation policy more complex?
• Is it possible to develop a model of telecommunications privatisation policy transfer for Thailand?

The thesis will also consider the question of whether the decisions and actions of political elites and policy experts determine privatisation policy in Thailand, or whether it is the outcome of broader structural factors such as economic crises, socio-political transformations, historical legacies, or shifting cultural attitudes. Perhaps it is a complex interplay between both structure and agency.

**RESEARCH METHODOLOGY**

This thesis has used a qualitative case study approach because it is the most suitable for describing and interpreting the views and concepts held and used by Thai and international actors involved in telecommunications policy transfer in Thailand. Qualitative research gathers and interprets relevant data to create meaning in a context (historical, political, economic, cultural and social). By forming an understanding of the ‘processes by which events and actions take place’ qualitative research may identify possible causal relationships that might be tested by subsequent quantitative research (Maxwell, 1996, p.17).

Qualitative research approaches as undertaken in this thesis are appropriate for understanding complex processes taking place over a number of years and involving many policy actors. This research looks at the historical, political, cultural and social circumstances of telecommunications privatisation policy transfer in Thailand until 2005, the cut-off period of this thesis. This thesis does not engage in detailed comparison of the Thai telecommunications case with other cases, but proceeds on the basis that the case examined is particular and unique. Even so, the thesis develops a model that other researchers may find useful as a way of analysing policy transfer in other sectors and contexts.

The thesis employs both primary and secondary data from the past until 2005. They complement each other and allow us to acquire a fuller understanding of the object of this study: the policy transfer process as it affects Thai telecommunications. This thesis employs quantitative and qualitative data, as both types of information are required to gain the full picture of policy transfer analysis and provides insight into the processes of privatisation policy transfer. Some of the qualitative data involve detailed descriptions of the development of the telecommunications sector, State-Owned Enterprises (SOEs) and privatisation in
Thailand, while the quantitative data include revenue, employment, demand for telecommunications products and industry trends.

It is necessary to point out the constraint on obtaining primary data through interviews middle-managerial level bureaucrats in 1999 after the 1997 Asian Financial Crisis. Despite the facts that names these bureaucrats were not disclosed to accommodate their requests for confidentiality and to protect their identities, their freedom of expression was, however, limited. In theory, participant observation and in-dept interviews with relevant actors are the best ways to collect data about the policy networks. In reality, it is difficult to interview actors involved due to: sensitivity on telecommunication privatisation issue; lack of clear understanding on privatisation among actors; and cultural barrier among Thai actors who prefer not to discuss the new concept of ‘privatisation’. In most cases, the actors prefer to nominate group leaders to talk on their behalf. Furthermore, there are considerable barriers to participant observation and in-dept interviews including commercial sensitivity issue, conflict of interests among actors. This primary data interview constraint will be further elaborated in chapter 7.

The thesis therefore focus more on data from various official government unclassified reports, position papers and cabinet submissions, as well as publications from government agencies. The official government documents concerning the privatisation of the Telephone Organisation of Thailand in 1995-1998 were made available to the author for detailed analysis. This period is an important time for the analysis of the privatisation transfer issue as this was when the government initiated and developed Master Plans for telecommunications privatisation, including the 1997 Telecommunications Master Plan (TMP) and the 1998 State-Owned Enterprises (SOEs) Master Plan. These plans were formulated to prepare Thailand for the 2006 trade-in-services liberalisation (Post and Telegraph Department, 2004b). The thesis also presents historical data relevant to policy transfer on SOEs, telecommunications development and privatisation. These data date back to the 19th century when Thailand established SOEs and fixed line and wire technology.

The thesis additionally uses reports prepared for TOT by consultancy firms hired by the TOT including Coopers and Lybrand, Morgan Stanley, Lehman Brothers, Merrill Lynch, Skadden Arps, Slate Meagher & Flom, Tisco and Chula Unisearch to prepare the 1997 Telecommunications Master Plan (TMP). They undertook asset and commercial evaluation,
and provided project management support for TOT’s restructuring and privatisation. This information provides details on how TOT was privatised in the early 1990s.

The thesis also utilises a wide range of published literature, official reports, academic journal articles, official publications, research theses, conference proceedings, newspapers and magazines. This literature ranges across many academic disciplines including economics, politics, communication studies, international relations, law and sociology. The literature was drawn from various libraries in Australia and Thailand including the University of Canberra, the National Library of Australia, the Australian Defence Force Academy, the Australian National University, Thammasat University, Chulalongkorn University, Thailand Development Research Institute (TDRI) and the National Institute of Development Administration in Thailand. The thesis also used data from on-line sources such as government agencies, international organisations, international and Thai press and journals, academic institutes, research institutes, international business, Thai private enterprises, unions, NGOs and consultancy firms. Thai broadcast media coverage was also monitored, including Thai TV Global Network, a satellite TV broadcasting under the operation of the Royal Army that provides 24-hour-programmes on TV channels 3, 5, 7, 9, 11 and ITV to more than one hundreds countries in five continents.

**THESIS STRUCTURE**

This thesis has been divided into seven chapters. Chapter 2 delineates the conceptual and theoretical fields within which this thesis is located, looking at the literature on policy transfer and privatisation and the key theoretical terms used throughout the thesis. The chapter is divided into three major parts. In the first part, some crucial prerequisites to policy transfer are reviewed. The second part introduces the concept of privatisation as a catalyst for policy transfer while in the third part, the framework for policy transfer is constructed.

Chapter 3 continues the theoretical grounding, but shifts focus to concentrate on the networks through which policy transfer takes place. The chapter draws upon a policy network perspective to explain the transfer process using a conceptual framework within which the multifaceted process of policy transfer may be situated. After introducing the policy network perspective and its appropriateness for the analysis of telecommunications privatisation in Thailand, the chapter also introduces some of the domestic and international actors who have participated in the transfer process. Amongst these actors are those who have supported
privatisation, those who have opposed privatisation, and those whose positions have changed depending on the circumstances.

Chapter 4 shifts from theoretical and conceptual matters to contextual material relating to Thailand. The chapter defines SOEs and outlines their early historical development in Thailand since the 13th century. The political, economic and social roles of SOEs are explained, before discussion of privatisation in Thailand. The chapter also examines the interaction between domestic policy actors and external ones, such as the IMF, the World Bank and multinational organisations.

Chapter 5 demonstrates the need for a broad perspective to examine the process of privatisation that is a multi-dimensional phenomenon, involving the interplay of various historical, political, economic and social elements. The chapter then sets out the range of factors shaping the development of telecommunications privatisation. The chapter discusses in both historical and contemporary settings how influential international and domestic actors have interacted and how the prevailing socio-economic, political and cultural conditions, have impacted on these interactions and thus on the policy transfer outcomes.

Chapter 6 reveals how policy structures and actors in Thailand have changed during the privatisation policy transfer process in part due to the strategic decisions of policy elites and organisations, decisions which have in turn been influenced by both exogenous and endogenous factors. This is achieved through the case study of the privatisation of the Telephone Organisation of Thailand (TOT). The chapter traces the origin of TOT through various telecommunications policies, privatisation plans and reforms.

Chapter 7 brings the thesis together by providing a framework for the analysis and understanding of the complex policy process relating to telecommunications privatisation in Thailand. The chapter further portrays the dominant role played by private enterprise, a critical element in the contemporary political terrain of telecommunications in Thailand.
Chapter 2
Theorical Framework: Policy Transfer, Privatisation and Policy Network

This chapter explores and integrates multiple disciplines and approaches that have been developed independently to construct a meso-level framework to analyse privatisation policy transfer in existing network. This chapter explores theoretical foundations of policy transfer and policy network. Furthermore, this chapter examines the literature on both policy transfer and policy networks and defines these key theoretical terms used throughout this study.

The chapter begins with the elucidation of the policy transfer framework. The processes of policy transfer, diffusion and convergence are the key elements of an interpretive framework for analysing and understanding events and processes in and around the privatisation of telecommunications in Thailand. Following this, the chapter examines the policy networks through which policy transfer takes place. The chapter also introduces concept of privatisation and its places in the public sector reform. Privatisation policy transfer is then linked with the concept of globalisation. The main features of globalisation that link transfer countries and recipient countries. The chapter draws upon a policy network perspective to explain this situation, providing a conceptual framework within which the multifaceted and mediated process of policy transfer may be situated.

FRAMEWORK FOR POLICY TRANSFER

Despite increasing interest and exposure to the policy transfer process, development of a framework to analyse the policy transfer process remains in its infancy since most studies focus on questions arising during the transfer process (see Bennett 1991, 1992; Dolowitz and March, 1996; Dolowitz, 1998; Rose, 1991). In this section much attention is paid to the work of Dolowitz and Marsh (2000) on policy transfer. Their ideas and observations have been adapted to create a conceptual framework to identify and explain the motivations of policy makers who engage in the policy transfer process, the type of policy transfer that takes place, and different agents who enter or exit the policy arena. The tables 2.1 and 2.2 below (based on...
Dolowitz and Marsh’s framework) are organised around seven questions: 1) Who are the actors involved in policy transfer? 2) What is transferred? 3) From where are the lessons drawn? 4) What are the different degrees of transfer? 5) Why do they engage in the policy transfer? 6) What factors restrict or facilitate the policy transfer process? 7) How is the process of policy transfer related to policy success or failure? The first six questions will be used to identify and organise relevant materials in the remainder of this thesis.

Although many things can be transferred from one political system to another, Dolowitz and Marsh (2000, pp. 12-17) identify eight different elements of policy that can be transferred. These are: policy goals, policy contents, policy instruments, policy programmes, institutions, ideologies, ideas and attitudes as well as negative lessons. As for the source of transfer, Dolowitz and Marsh (2000) argue that policy-makers can explore three levels of governance: the international, the national and the local. In this thesis, it is the first two levels of governance that are relevant for Thailand, which is centralised in term of governance, despite the existence of local government. However, the national government has drawn lessons and experience learnt by the local governments. As a developing country with less negotiating power in global politics than developed countries, Thailand tends to receive policies originating from and advocated by other powerful nations and international organisations. However, it should be appreciated that when lessons are drawn from external sources, the process involves both domestic and international actors.

Dolowitz and Marsh (2000, p.13) depict four degrees of policy transfer, namely: direct and complete transfer; emulation that involves transfer of ideas behind policy or programmes; mixture that involves several different policies; and stimulation arising from the inspiration of policy makers in one jurisdiction to adopt policy changes from elsewhere.
<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>ANSWERS BY DOLOWITZ &amp; MARSH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who/ What are involved in transfers?</td>
<td>Elected Officials</td>
</tr>
<tr>
<td></td>
<td>Bureaucrats/ Civil Servants</td>
</tr>
<tr>
<td></td>
<td>Institutes</td>
</tr>
<tr>
<td></td>
<td>Ideologies</td>
</tr>
<tr>
<td></td>
<td>Attitude/ Cultural Values</td>
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<tr>
<td></td>
<td>Consultants</td>
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<td></td>
<td>Think Tanks</td>
</tr>
<tr>
<td></td>
<td>Transnational Corporations</td>
</tr>
<tr>
<td></td>
<td>Supranational Institutions</td>
</tr>
<tr>
<td>What is transferred?</td>
<td>Policies</td>
</tr>
<tr>
<td></td>
<td>• Goals</td>
</tr>
<tr>
<td></td>
<td>• Contents</td>
</tr>
<tr>
<td></td>
<td>• Instruments</td>
</tr>
<tr>
<td></td>
<td>Programmes</td>
</tr>
<tr>
<td></td>
<td>Negative lessons</td>
</tr>
<tr>
<td>Where from?</td>
<td>Within a nation</td>
</tr>
<tr>
<td></td>
<td>• State Government</td>
</tr>
<tr>
<td></td>
<td>• City governments</td>
</tr>
<tr>
<td></td>
<td>• Local authorities</td>
</tr>
<tr>
<td></td>
<td>Cross-National</td>
</tr>
<tr>
<td></td>
<td>• International organisations</td>
</tr>
<tr>
<td></td>
<td>• Regional organisations</td>
</tr>
<tr>
<td></td>
<td>Past relationship</td>
</tr>
<tr>
<td>Degree of Transfer</td>
<td>Copying</td>
</tr>
</tbody>
</table>
Emulating
Mixture
Inspirational

Source: Adapted from Dolowitz and Marsh (2000, p.13)

Table 2.2 Continuum of policy transfer

<table>
<thead>
<tr>
<th>Why transfer?</th>
<th>Voluntary</th>
<th>Mixtures</th>
<th>Coercive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesson Drawing</td>
<td>Lesson Drawing</td>
<td>International Pressure</td>
<td>Directly Imposed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Externalities</td>
<td>Pressure Groups</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Image</td>
<td>Policy Enterprise/ Expert</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Consensus</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Perceptions</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Conditionality</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Condition Attached to</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Activity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Obligations</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Dolowitz and Marsh (2000, p.13)

The above Figure 2.2 shows the continuum that represents two different types of policy transfer. The continuum starts with lesson drawing and ends with coercive policy transfer.
Chapter 2 Theoretical Framework: Policy Transfer, Privatisation and Policy Network

Dolowitz and Marsh (2000) admit that this continuum is an over-simplification of the distinction between voluntary and coercive transfer processes. However, Dolowitz and Marsh (2000, p.13) attempt to provide ‘a heuristic device to conceptualise transfer’ as lying along a continuum that runs ‘from lesson-drawing to the imposition of a program, policy or institutional arrangement on one political system by another’. The lesson-drawing end of the continuum is based on the assumption that actors select policy as a ‘rational response to a perceived process’ (ibid) to solve the problem at low cost. But in reality, Dolowitz and Marsh (2000) point out that actors may have limited or inaccurate information, or have been misled by their own perceptions in decision-making situations. Rather than taking that into consideration of the operation of policy in the real world, the agents may neglect the differences in political systems or the variation in economic, social and political consequences in the transfer process and the borrowing system. This negligence obstructs the smooth process of policy transfer. Therefore, this thesis emphasises the importance of taking local conditions into consideration when recipient countries adopt transferred policy as their policy choice.

EXPLAINING POLICY TRANSFER

This section explains the concepts and types of policy transfers. In recent decades, a recurrent theme in policy studies has been how knowledge about policies in one setting is used in the development of policies in another setting. However, despite widespread interest in this phenomenon, a common theoretical consensus is yet to emerge among scholars. Terms such as ‘transfer’, ‘diffusion’, and ‘convergences’ have often been invoked, yet many researchers fail to specify the precise meanings or theoretical assumptions underpinning their use of such concepts. In the absence of firmly agreed standards or protocols concerning how such terms should be used, conceptual imprecision and ambiguity are common. Policy transfer and diffusion, for instance, are often used in conjunction with a confusing array of terms such as: lesson-drawing, policy bandwagoning, policy borrowing, policy shopping, systematically pinching ideas, penetration, external inducement, authoritarian imposition, and policy pusher (Stone 2003, p. 4). Dolowitz and Marsh (1996, p.350) also refer to ‘copying; emulation; hybridisation; synthesis; and inspiration’. In addition to this plethora of terms, the issue of policy change attracts a number of researchers drawn from different disciplines. Scholars working in diverse fields – such as comparative public policy, comparative public administration/management, development administration, development economics,
international relations and governance – often draw upon different disciplines. This can have the effect of compounding theoretical confusion.

Given this proliferation of terms and approaches, it is necessary to clarify from the outset the key concepts and theoretical assumptions that frame this research. This is the aim of this chapter. Although this thesis adopts ‘policy transfer’ as its central theoretical concept, it is useful to compare and contrast this concept with two other terms that dominate the literature, namely: policy diffusion and convergence. Policy transfer, diffusion and convergence are all terms that capture the notion that policies and programmes may be transferred from one domain to another. Yet each term implies a different theoretical emphasis and empirical concern. Along an axis of focus on agency, these three concepts form a continuum, with transfer being most closely associated with agency, while convergence is least so. Some scholars who adopt one framework often draw upon selected features of the other approaches. For example, scholars utilising the policy diffusion approach sometimes note the role of agency that features prominently in the alternative concept of policy transfer.

Whilst this thesis uses and expands Dolowitz and Marsh’s (1996, 1998) model of policy transfer, it also refers to elements drawn from other frameworks. As will be argued, policy transfer most commonly involves agents engaged in a deliberate activity, and it is therefore important to consider the role of agency when analysing the process of policy change. However, it is also important to explore the ideological or normative environment within which policy actors are situated, and to consider structural constraints to transfer, such as institutions, state structures, and historical legacies. In this sense, policy analysis can be enriched from all three perspectives. As Diane Stone (1999) has suggested, there is complementarity rather than mutual exclusion in these different approaches, and perhaps the most productive avenue of inquiry is to draw upon the strengths of different perspective (see also Common 2001; Newmark 2002; Levi-Faur and Vigoda-Gadot 2004).

**Policy Transfer**

In broad terms, policy transfer may be defined as the process by which actors borrow policies developed in one setting to produce programmes and policies within another (Dolowitz and Marsh 1996). It is one way of explaining how different nations have come to share similar programmes and policies. More specifically, policy transfer implies an element of consciousness or intention, with the transfer process resulting from some rational judgment on
the part of the policy makers or agents of transfer. Newmark, for example, maintains that ‘[p]olicy transfer is a more specific form of policy diffusion, referring only to cases where conscious, external knowledge of a policy, program or idea is utilised in developing domestic policies’ (Newmark 2002, p.152). A typical component of policy transfer involves emulation, in which knowledge of policy innovations is imported from other entities and political contexts. As Rose (1991) suggests, such instances of transfer occur when governments search for remedies to problems. Similarly, Bennett (1991, p.220) notes that ‘[t]here is a natural tendency to look abroad, to draw lessons and to bring foreign evidence to bear within domestic policy-making processes’ It is clear, however, that this is not the only reason for cross-national transfer. International agencies and bilateral arrangements have often strongly encouraged or even imposed policy transfer for reasons ranging from efficiency to self-interest.

To assist in delineating various forms of policy transfer, Dolowitz and Marsh (1998) usefully distinguish between three forms: voluntary, coercive and perceptual.

**Voluntary Transfer**

In voluntary transfer, domestic actors freely chose to adopt a public policy from another domain. Often, the primary catalyst for voluntary transfer is dissatisfaction with the status quo or the perception that existing policy measures are inadequate. Uncertainty about the causes of a problem or its future implications may also prompt actors to search for policies they can borrow. However, political actors may also cite the existence of policies elsewhere to legitimate or justify their decisions to implement particular reforms. As Bennett (1991, p. 38) argues, ‘evidence is used in the policy process in highly selective ways to legitimate decisions already taken. Thus, information about the effects of a program elsewhere enters debate to justify prior positions’. An example of voluntary transfer in Australia would be the federal government’s adoption of telecommunication policies derived from the United Nations Charter on the Declaration of Human Rights (Universal Postal Union, 2001). In this instance of policy transfer, the Australian government applied policies concerning universal service obligation and cross-subsidy as a means to ensure that Australian citizens have equal access to basic telecommunications facilities regardless of their geographical location.
Coercive Transfer

The recipients of policies that are transferred coercively exercise little choice in the process of policy reform. In coercive transfer, actors in one setting are compelled to adopt a foreign policy as a result of the actions of external actors or events. Examples of coercive transfer include the international communities of nations imposing economic sanctions to force ‘rogue’ states to stop producing weapons of mass destruction, and the policy condition such as privatisation and reduced public expenditure, which international financial institutions attach to structural adjustment loans. Dolowitz and Marsh (1996, pp. 348-349) also distinguish between two types of coercive transfer – direct and indirect. Direct coercive transfer is the more obvious, as exemplified by ‘supra-national institutions’ such as the European Union and the European Court of Justice forcing member states to adopt particular policies. Indirect coercive transfer is less obvious:

The emergence of an international consensus may also act as a push factor. When the international community defines a problem in a particular way, and even more when a common solution to that problem has been introduced in a number of nations, then nations not adopting this definition or solution will face increasing pressure to join the international ‘community’ by implementing similar programmes or policies. (Dolowitz and Marsh, 1996, p.349).

Perceptual Transfer

Perceptual transfer is the third means by which policies can be imported from elsewhere. This mode of policy transfer is similar to indirect coercive transfer. It occurs when national actors believe that public policies applied in their jurisdiction are inadequate by comparison with rival jurisdictions (Common, 2001). Perceptual transfer may be the consequence of ideological or psychological factors whereby national actors may consider domestic public policy to be obsolete or otherwise unsound without necessarily referring to evidence. This is essentially a political movement and a change of values. Perceiving an inadequacy in certain policies, political actors may choose to innovate domestically or import an apparently successful approach from another jurisdiction. In such instances, compliance with international policy regimes may not be enforced. Such examples, therefore, cannot be reduced to instances of overt coercion, yet neither do they reflect a moment of free choice or voluntarism. If a problem and its perceived solution have been internationally defined and agreed upon, a nation which does not adopt this solution may face increasing pressures to conform. In effect, perceptual transfer may lead to voluntary transfer or policy innovation.
These three modes of transfer – voluntary, coercive, and perceptual – provide a useful framework for understanding why and how actors engage in policy transfer. In summary, it could be said that voluntary transfer involves a ‘pull factor’ emanating from the country importing the policy, with domestic actors drawing upon a policy implemented elsewhere, and then promoting it in their own country. Coercive transfer, on the other hand, involves a ‘push’ factor from an external country or international institution that works to force a foreign policy onto the recipient country. Perceptual transfer involves a mix of pull and push factors.

Although the policy transfer approach provides an illuminating framework for analysis, its use in this thesis is tempered by an awareness of its potential limitations and weaknesses. Firstly, much of the available literature appears to treat policy transfer as a discrete process, confining analysis to the specific actors involved without providing any description of the wider context. This thesis is animated by the conviction that inquiry needs to be broader in scope if it is to capture the multitude of factors intrinsic to policy transfer. That is, it is important to examine the context – historical, social, political and cultural – within which a particular policy is being transplanted. As Evans and Davies (1999) argue:

…in order to comprehend the nature of policy transfer it is crucial that we contextualise social and political action within the structured context in which it takes place. We must assess whether processes external to the process of transfer we are looking at have an impact (directly or indirectly) upon the contexts and the strategies, intentions and actions of the agents directly involved (quoted in Common 2001, p.28).

Such considerations challenge the assumption that political actors are invariably rational, calculating subjects. Within much of the literature, there is a tendency to focus upon intentional explanations to the neglect of structural considerations. Yet rarely is policy making an exclusively rational process in which the human agents precisely calculate the costs and benefits of particular policy options and exert full control over available choices. As even Dolowitz and Marsh (1996, p. 355) note, ‘it is not possible to explain policy transfer solely in terms of the decisions of political actors. The strategic decisions of actors are taken in a context which is mostly not of their making and which is characterised by structural inequality.’ Accordingly, this thesis includes both the rational, intentional elements of policy transfer, as well as the structural or contextual factors that shape and constrain the actions and decisions of policy actors and organisations. In other words, it attempts to integrate an understanding of how both structure and agency are implicated in policy outcomes.
A further problem that has been identified in the policy transfer literature is the tendency toward ‘excessive positivism’, and the resulting neglect of subjective perceptions and judgments in the definition of problems and solutions (Dolowitz and Marsh 1996, p. 357). On one level, the policy ideas that are being transferred are often depicted ‘as if there were a single, objective understanding of them, and as if it were a question of how accurately and faithfully the learning country can emulate and reproduce them’ (Nakano 2004, p. 170). Even when studies acknowledge that conditions and constraints create ‘local’ variations, the ‘original’ policy is still often assumed to be one universal and objective model. Consequently, the literature has been criticised for resting too much on abstracting perfect-fit model cases of policy transfer. On another level, the policy failures and crises that are said to precipitate the process of policy transfer are often described as if they comprise an objectively identifiable situation (Nakano 2004, p. 170). Consequently, transfer is assumed to be a passive process, initiated when the recipient country is confronted with an unmistakable problem situation. As a result of these positivist assumptions, the ‘perspective that policy failures are subject to interpretation and that crisis situations are socially defined has been somewhat lacking’ (Nakano 2004, p. 170).

This thesis challenges these assumptions. More specifically, it makes no prior assumptions about privatisation as a uniform and coherent package of policies, able to be lifted from one situation to another irrespective of contextual factors or subjective judgments. The notion of policy transfer need not imply that policies be transferred pristinely and unchanged from one jurisdiction to another. Rather, selected elements may be appropriated, transformed, reinterpreted or adapted, depending on a host of contextual factors and the subjective preferences of the actors involved. The analytical focus, therefore, is not on how accurately and faithfully the recipient country emulates and reproduces policies from abroad, but rather on the various factors that mediate and complicate the transfer process, including the material circumstances, institutional structures, and ideas that contribute to policy outcomes.

This leads to the final qualification of the theoretical approach adopted in this thesis. Given the multi-faceted and entangled nature of policy transfer, identifying and isolating instances of transfer pose many methodological challenges. The formation of policy is typically a messy and complicated phenomenon, involving shifting and interactive processes of feedback. It is, therefore, difficult to unravel the precise contribution of one strand – that provided by the practices observed from other countries – in the complex mixture of ideas, issues, compromises and practices that ultimately make up ‘the policy’ adopted (Page, 2000).
Moreover, as actors are exposed to wide ranges of information and influences, it may be difficult to pinpoint where they acquired ideas, policies and lessons. Thus, whilst the policy transfer approach provides an invaluable basic framework of analysis, it may not yield the simplistic, mono-causal models or explanations that some policy analysts crave. Such complexity points to the value of richly contextualised and nuanced studies. This thesis acknowledges this and rests on the premise that careful and sustained empirical analysis is indispensable in reaching broader understanding.

**Policy Diffusion**

Policy diffusion is another way of explaining the similarities that exist between policies in different jurisdictions, and an examination of the concept’s relative strengths and weaknesses helps to clarify the conceptual framework of this thesis. Policy diffusion is one of the original concepts used to analyse policy transfer-type activity. A number of landmark studies emerged in the US in the 1960s and 1970s, with several scholars applying the concept to describe the spread of policy innovations across state governments (see Walker, 1969; and Gray, 1973). Such studies rested upon an understanding of diffusion as ‘the process by which an innovation is communicated through certain channels over time among members of a social system’ (Rogers 1995, p.5). Thus defined, diffusion embodies several important features, including innovation, communication and dynamic processes situated in specific social contexts. The concept also implies a trend of successive or incremental changes, with ideas or practices spreading, dispersing and disseminating from a common source or point of origin.

An important insight that policy diffusion analysis builds upon is the tendency for certain policy changes to be clustered both temporally and spatially. Three key mechanisms have been advanced to account for this feature of policy diffusion. Some researchers emphasise the importance of cultural factors, focusing on how the patterns of behaviour and forms of interaction amongst policy actors reinforce certain norms, institutions and policy discourses (eg. Hall, 1989a, 1989b; Ikenberry, 1990; Finnemore, 1996). According to this approach, what underwrites policy-making is an evolving ‘consensual knowledge’. That is, a shared fund of knowledge seeps into the consciousness of policy-makers and influential groups, thereby fostering consensus about the nature of socio-economic change and effective policy. This process is illustrated in Hall’s (1989b) discussion of the international spread of Keynesian policy prescriptions. As Hall (1989b, p. 365) notes:
The Keynesian conception of the economy was initially spread by diffusion among the members of the economics profession and required only intermittent endorsement from political authorities... Once new terms gained currency among economic experts the growing role of these experts in contemporary governance carried them into the heart of the policy process.

Similar observations have been made with respect to the international uptake of privatisation policy (Lee and Strang, 2004). As Ikenberry (1990, p. 105) notes:

Privatisation policy does seem to have been bolstered by the arguments put forward by economists working in close proximity to policymaking. In this sense, a sort of common international “policy culture” has attended and buttressed the international dimensions of the process.

What emerges out of such analyses is a focus on how ideas, conceptual models, norms, world views and ideational frames gain currency and spread, acquiring the status of orthodoxy and remoulding the discursive terrain within which policies are conceived, debated and implemented. Some theorists working within this tradition describe the impact of cultural and normative factors in terms of emulation of norm (Weyland, 2005; Henisz and Guillén, 2004; Murillo and Martínez-Gallardo, 2005). As a consensus starts to crystallise amongst policy experts and elites, the pressure to embrace new policy trends becomes ever more acute. Policy-makers thus attempt to gain international legitimacy by importing ‘innovative’ policies, thereby demonstrating the emulating country’s modernity and compliance with new international norms. Governments that resist ideational trends face reputational consequences that cast doubt on their approach to the economy, other areas of policy and potentially the legitimacy of their governance (Simmons and Elkins 2004, p. 173).

Whilst various scholars have focused on these cultural or normative dimensions, another strand of the policy diffusion literature consists of institutional and organisational analyses. To explain why policy diffuses more readily into certain jurisdictions than others, researchers attempt to elucidate the degree to which policy innovations resonate or comport with existing institutional arrangements (Strang and Meyer, 1993). Much of this work consists of cross-national comparisons of public policy, typically emphasising the impact of national political institutions structuring the relations among legislators, organised interests, the electorate and the judiciary (Hall and Taylor, 1996). Each jurisdiction comprises a unique configuration of institutions and organisations that both promotes and filters information flows, structuring interactions so as to generate distinctive national trajectories. Thus, the degree to which imported policy diffuses into a nation or region depends on the established institutions, legislative precedents, and networks of interest groups through which new ideas are refracted.
Alternatively, some studies have focused on the institutional and organisational features of international relations, exploring the conditions under which international cooperation occurs, and examining the institutions and networks that both enable and constrain the spread of policy ideas (Haas, 1992).

A final explanatory variable for policy diffusion is socio-economic structure and development. At any given moment, and in any political setting, there is a host of contending policy ideas circulating and clamouring for attention. What then, are the historical and socioeconomic factors within a given nation or polity that makes it more or less receptive to certain imported policies? Given an international impulse toward a certain policy innovation, which structural factors determine if a country will actually react positively to this stimulus? Socio-economic analyses seek answers to such questions. Policy diffusion is effected by the domestic predisposition to react to one impulse but not another, and the aim of this approach is to identify the structural or socio-economic characteristics that account for a nation’s responsiveness to certain policy models over others. Inglehart (1977), for instance, notes that highly developed industrialised nations tend to pay more attention to ‘post-materialist’ conditions, for example, those relative to environment than developing countries. This environmental policy diffuses more readily among such nations. In short, such studies attempt to relate policy diffusion to ‘structural factors that, in various compositions and intensities, permit or constrain the domestic adoption of ‘importable’ policies’ (Lenschow et al., 2005, p 801).

Cultural, institutional and socio-economic factors are three key variables used to account for processes of policy diffusion. In contrast to conventional policy transfer analyses, studies that focus on diffusion identify the broad historical, spatial, cultural and socio-economic causes that account for patterns of policy adoption. That is, whereas policy transfer studies tend to emphasise the specific intentions or strategies of particular agents, diffusion analysis is more concerned with structural factors. Policy transfer is methodologically oriented toward case-study analysis, focusing on the transaction of ideas and resources between specific agents and organisations. The policy diffusion perspective, however, embodies a rich tradition of comparative and quantitative analyses. It systematically explores data across a variety of political systems, teasing out the common social or cultural conditions conducive to the diffusion of certain policies. By postulating relationships between policy change and cultural or structural variables, analysis undertaken from the perspective of policy diffusion provides a general set of concepts that lend themselves to systematic theory building.
In certain respects the policy diffusion perspective appears to address some of the deficiencies identified earlier in conventional approaches to policy transfer. Whereas the policy transfer literature tends to neglect structural or contextual variables, diffusion studies emphasise the historical, economic, social, political or cultural dimensions that shape and constrain policy change. Moreover, the concept of policy diffusion allows for processes that are unintentional or uncoordinated, recognising that ‘the actions and choices of one country [can] affect another, but not through any collaboration, imposition, or otherwise programmed effort on the part of the actors’ (Elkins and Simmons, 2004, p.2).

The diffusionist perspective carries its own potential hazards. Whilst structural and contextual factors are vital elements in any explanation of policy change, this should not preclude a consideration of agency. In this respect, diffusionist studies often seem curiously detached or neglect to identify the extent to which the spread of policy innovations can entail power struggles between specific actors with competing interests. In such instances, the diffusionist approach seems so preoccupied with macro-level processes that the actors involved simply disappear from sight.

If the extreme theoretical assumptions of the policy transfer and policy diffusion perspective are relaxed, it is possible to see how the insights of one approach might be used to supplement or strengthen those of the other. Diffusion studies reveal how policies are transformed and enacted in specific social and cultural contexts that define the allocation and exercise of political power and so shape policy making, especially by constraining political power through the operation of rules, norms and organisational settings. Certain social and cultural conditions, therefore, are more conducive to the transfer or uptake of particular policy innovations. Yet conducive conditions are not sufficient to explain outcomes (Lieberman, 2002), nor are actors necessarily puppets of the overarching social structure or economic order. To grasp how and why particular policies are adopted, it is necessary to go beyond a focus on the initial material or socio-cultural circumstances, and to attend to the specific political actors and organisations that are responsible for promoting or opposing policy models. We must consider, in other words, both the structure and agency in policy transfer, and recognise that ‘social life issues from the interplay of agency and social structure, rather than being the product of one of them alone’ (Lewis, 2002, p.17). The analysis of policy change should lend itself to such accommodation in the structure-agency relationship. And, whilst this combined approach is largely absent in both the policy transfer and policy diffusion literature, this thesis seeks to demonstrate its value.
Policy Convergence

Policy convergence is another term used to describe policy change, yet like the concepts of diffusion and transfer, it too encompasses a cluster of empirical and normative assumptions. Although it is often conflated with policy transfer or diffusion, there are a number of aspects of the concept of policy convergence that should be disentangled and distinguished from these other terms. Convergence has been defined as ‘the tendency of societies to grow more alike, to develop similarities in structures, processes, and performances’ (Kerr 1983, p.3). Thus defined, policy convergence embodies three assumptions. Firstly, the idea of convergence implies a focus on outcomes rather than policy content or process. That is, while the concepts of policy diffusion and transfer direct attention to the processes and pathways of change, convergence studies place particular emphasis on end-points and effects. Policy convergence describes the end result of a process of policy change over time towards some common point, regardless of the causal process (Knill, 2005).

A second feature that distinguishes the policy convergence literature is its macro-political or structural emphasis. Initially, convergence was applied to describe the range of social and economic similarities produced by industrialisation (Kerr, 1983; Inkeles, 1981). From this perspective, as societies adopt a progressively more industrial infrastructure, certain determinate processes are set in motion which tend over time to shape social structures, political processes and public policies in the same mould (Bennett, 1991). According to some interpretations, this logic results in a stageist theory of economic and political development, culminating in a common post-industrial condition (Rostow, 1968; Bell, 1960). Other studies draw conclusions from aggregate statistical studies of large numbers of countries at one point in time. For instance, in his multiple regression analysis of welfare policy, Wilensky (1975, p. 27) concludes that ‘the primacy of economic level and its demographic and bureaucratic correlates is support for a convergence hypothesis; economic development makes countries with contrasting cultural and political traditions more alike in their strategy for constructing the floor below which no one sinks’. Thus, despite the cultural or social particularities that prevail in different contexts, it is the broader macro-determinants or structural factors that impel policy change and ultimately lead to convergence.

A final aspect that differentiates convergence from notions of policy transfer is the degree of agency and rationality that the concept presupposes. Whereas the policy transfer perspective
typically focuses on the rational or intentional actions and choices, convergence studies tend to assume a more passive role for policy actors. Convergence may occur unintentionally, arising out of harmonising macroeconomic forces or common processes (Evans and Davies, 1999). Just as individuals open their umbrellas simultaneously during a rainstorm, governments may decide to change their policies in the presence of certain trigger conditions such as tax evasion, an aging population, or environmental resource pressures (Holzinger and Knill, 2005, pp.775-796). The concept of convergence thus allows for the possibility of similar developments taking place in different countries with or without any direct link between them. In this respect, convergence should not be confused or conflated with diffusion or transfer. Cross-national convergence might be simply the result of similar, but independent, responses of different countries to parallel domestic problems or macro pressures. That is, policy actors are not necessarily behaving in response to each others’ actions, or arriving at similar policy outcomes through the exchange of ideas or policy models.

In this sense, the analyst of policy convergence ‘must avoid the pitfall of inferring from transnational similarity of public policy that a transnational explanation must be at work’ (Bennett, 1991, p. 231). Conversely, instances of policy transfer or diffusion do not necessarily result in policy convergence. Van Waarden (1995, pp.333-372), for instance, points out that policy diffusion does not automatically lead to convergence, as foreign models are likely to be changed to fit national institutional structures and policy styles. As policies are transferred, they are refracted and reworked through the particular configuration of social and cultural relations in which they appear. Policy divergence, rather than convergence, may thus be the ultimate outcome.

This comparison between policy convergence, transfer, and diffusion underscores the need to unpack the various causal factors and contextual elements that may be woven into instances of policy change. Like the concept of diffusion, the notion of convergence highlights the need to be attentive to macro-economic and structural influences, and to recognise the mechanisms that may be at play in different contexts. Yet, for the purposes of this thesis, the notion of policy convergence is too imprecise and crude to capture the multi-dimensional processes underpinning the formulation of privatisation policy. As well as attending to the structural dimensions of policy change, it is essential that the interplay between structure and agency is brought to the forefront of analysis. Moreover, assertions that policies are converging tend to collapse the different dimensions of public policy into a singular, one-dimensional phenomenon. A number of questions therefore arise: in what respect is policy
converging? Is a given policy converging in terms of policy goals, or it is similar in terms of policy content, policy instruments (institutional tools available to administer policy), policy outcomes, or policy styles? How are these various dimensions of public policy interrelated through interactive feedback processes? Such questions tend to remain unanswered in the policy convergence literature. By focusing on deterministic structural imperatives and policy outcomes, there is a tendency to neglect the dynamic processes underlying policy change, and a failure to distinguish policy goals from policy outcomes, content, instruments and styles. Furthermore, whilst the convergence perspective might be useful in highlighting the structural pressures that contribute to shifts in policy, there is a need to consider the actual choices and political actors engaged in policy formulation. Structural conditions may help explain why there are pressures for reform, but not whether or not reform will occur or the form it should take. Thus, whilst the convergence approach may provide an insight into why adaptive change might take place, it is ultimately less informative on the form such change assumes (Freeman, 1999; Stone, 2001).

In short, whilst the concept of convergence illuminates certain aspects of policy change, it is ultimately an imprecise and general formulation that obscures complex and dynamic political and social processes. This thesis aims to present a more fine-grained analysis that teases out the various strands of policy transfer, and in doing so, identifies both the macro and micro, as well as structural and agential, aspects of policy change. By comparing and contrasting standard approaches to policy transfer, diffusion, and convergence, the thesis has sought to establish a theoretical perspective that might capture the complexities and multiple causal strands woven into policy change. This approach neither reduces policy reform entirely to the conscious or rational exercise of agency by policy actors nor does it conceptualise change exclusively in terms of deterministic structural forces. As King (quoted in Bennett 1991, pp. 216-217) has suggested, aggregate statistical studies that claim convergence because of broad correlations between economic development and indices of public policy ‘in some ways resemble photographs taken from a high-flying aircraft; the main features stand out, but much detail is lost – and the lost detail is important’ The challenge lies in recovering this lost detail, in tracing the interaction of contextual elements and individual choices, without losing sight of the broader social, economic and political factors that shape and constrain policy reform.
POLICY NETWORK ANALYSIS

In recent decades, the concept of ‘the network’ has acquired increased prominence in the study of public policy. The origins of policy network analysis can be traced to recognition of the intricacies in relations between state and society, and of the need to understand the impact of these relations on the formulation of public policy. State-centric approaches to analysis have often neglected these complex and influential relations. In such approaches, government is typically presented as a process of authoritative problem solving: there are actors called governments, they confront problems and make choices, which are then enforced with the coercive power of the state (Colebatch, 2005). Such government- or state-centric perspectives hinge on a one-dimensional unit of analysis, disregarding private interests and informal linkages, and restricting their attention to formal institutions and procedures (Kassim, 1994, p.15; Colebatch, 2005, p.14-23).

Yet it is precisely the elements neglected by previous paradigms that constitute the focus of network analysis. A policy network perspective is premised on the notion that government is accomplished not simply by hierarchical direction, but by a complex pattern of practices and interactions among official and non-official participants:

To the extent that the modern state ‘rules’, it does so on the basis of an elaborate network of relations formed among the complex of institutions, organizations and apparatuses that make it up, and between state and non-state institutions (Rose and Miller, 1992, p.176).

Thus, the study of policy-making in terms of networks offers greater insights into the formulation of policy than traditional studies of political institutions. The network idea neatly captures the manner in which a constellation of individuals and actors, located in a maze of public and private organisations, connect with each other and generate certain kinds of relationships and particular patterns of shared interest.

This multi-dimensional approach has become ever more compelling given the changing context of policy-making. Technological change and intensified globalising processes have rendered the boundaries between state and society increasingly unclear and nebulous. National economies are more closely integrated through trade and financial flows, via the spread of knowledge, and through more rapid and widespread movements of people. Technological change and closer economic integration have, therefore, fostered transnational economic and social networks of interdependence (Rose, 2000). In addition, NGOs and
private companies, themselves responding to the pressures of globalisation, have effectively reorganised their operations on a transnational scale and play a progressively more important role both in international relations and within nation-states. As subsequent chapters will reveal, these widespread trends towards transnational alliances, technological change and closer economic integration have re-shaped the socio-economic and political landscape of Thailand. And, it is within this ever more complex and layered setting that network theory acquires an even greater cogency:

social modernization has brought more importance to formal [and informal] organizations in all areas of society and with their strengthened position comes an increasing fragmentation of power. Policy networks represent one response to the escalating functional differentiation of social subsystems. With the state no longer being the sole entity capable of organizing society, there is a dispersion of expertise and competence, a multiplication of channels for mediation and agreement, and the involvement of different levels of decision-making from the local to the supranational (Coleman, 2001, p.1608).

It is not so much that formal institutions or the state have been superseded, but rather that these conventional foci of analysis cannot be taken to be wholly determinant of policy outcomes. The complexities of policy transfer, in short, require the multi-dimensional and nuanced approaches that network theory offers.

What then are the central concepts and premises underpinning network analysis? A policy network may be defined as ‘A cluster of actors, each of which has an interest, or “stake”, in a given… policy sector and the capacity to help determine policy success or failure’ (Peterson and Bomberg, 1999, p.8). A policy network comprises a set of formal and informal interactions between a variety of public and private actors, who have differing but interdependent interests. Within the generic category of the policy network, different types of policy networks may be distinguished. As Marsh (1998a) notes, the policy network concept encompasses a continuum extending from the smaller and more integrated ‘policy community’ at one extreme, to the larger and loosely affiliated ‘issue network’ at the other:

Policy communities are tight networks with few participants who share basic values and exchange resources. They exhibit considerable continuity in membership, values and outcomes. In contrast, issue networks are loose networks with a large number of members and fluctuating access and significant dispute over values. There is little continuity in membership, values or outcomes (Marsh, 1998b, p.14).

In the typology of policy networks that Marsh advocates, policy communities and issue networks are distinguished according to differences in the degree of integration; the distribution of resources among members; and the number and type of participants (Table 3.1).
Table 2.3 Types of policy networks: characteristics of policy communities and issue networks

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Policy community</th>
<th>Issue network</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Membership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of participants</td>
<td>Limited number, with some groups consciously excluded</td>
<td>Large and highly permeable</td>
</tr>
<tr>
<td>Type of interest</td>
<td>Economic and/or professional interests dominate.</td>
<td>Encompasses range of affected interests.</td>
</tr>
<tr>
<td><strong>Integration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency of interaction</td>
<td>Frequent, high-quality, interaction of all groups on all matters related to policy issue.</td>
<td>Contacts fluctuate in frequency and intensity.</td>
</tr>
<tr>
<td>Continuity</td>
<td>Membership, values and outcomes persistent over time.</td>
<td>Access fluctuates significantly.</td>
</tr>
<tr>
<td>Consensus</td>
<td>All participants share basic values and ideology, and accept the legitimacy of the outcome.</td>
<td>Limited consensus and ever-present conflict.</td>
</tr>
<tr>
<td><strong>Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution of resources within network</td>
<td>All participants have resources; basic relationship is an exchange relationship.</td>
<td>Some participants may have resources, but they are limited, and basic relationship is consultative.</td>
</tr>
</tbody>
</table>
Chapter 2 Theoretical Framework: Policy Transfer, Privatisation and Policy Network

<table>
<thead>
<tr>
<th>Distribution of resources within participating organisations</th>
<th>Hierarchical; leaders can deliver members.</th>
<th>Varied and variable distribution and capacity to regulate members.</th>
</tr>
</thead>
</table>

**Power**

<table>
<thead>
<tr>
<th>Power</th>
<th>There is a balance of power among members. Although one group may dominate, it must be a positive-sum game if community is to persist.</th>
<th>Unequal powers, reflecting unequal resources and unequal access. It is a zero-sum game.</th>
</tr>
</thead>
</table>

*Source: Adapted from Marsh and Rhodes 1992, p.251.*

Building on this typology, this thesis posits that an issue network contains various competing and/or complementary policy communities. As the table above indicates, such policy communities tend to be stable and cohesive, with a continuity of restricted membership and frequent interaction among members, as well as a hierarchical structure in which leaders can guarantee the compliance of their members. Within such communities there is usually consensus, with participants sharing ideology, values and broad policy preferences (Rhodes, 1997, p.652-667). These policy communities, and the issue network, of which they are a part, coalesce around certain ‘policy domains’. In this thesis, the phrase ‘policy domain’ is used to denote an area of one or more interrelated policy issues. Thus, the policy domain of telecommunications encompasses policy issues such as privatisation, technical standards, community service obligations (CSOs), the operation of SOEs, and corporate governance.

The issue network that is the focus of this thesis comprises all the actors (or stakeholders) with an interest in the privatisation of telecommunications in Thailand. Within this large issue network, there are policy communities that depend upon and compete with each other for shared resources and shared benefits, such as information, expertise, access, legitimacy, and research and development relating to ICT infrastructure and networks (Bomberg, 1998). This telecommunications policy network is, therefore, exceedingly complex, involving not only a host of actors with different agendas, but also operating across national borders and
international policy communities. And, in this sense, the tangle of relations and interactions that contribute to telecommunications in Thailand encapsulates the notion of an issue network.

However, in drawing upon policy network analysis to illuminate Thai telecommunications, it is essential to qualify the scope and purpose of the concepts thus defined. As Atkinson and Coleman (1989, p.54) state, the types of policy networks sketched out above ‘represent ideal types… not to be found in the real world’. Similarly, both Peters (1998) and Hay (1998) maintain that the policy network concept is best used as a metaphor to aid description rather than as a theoretical model for the prediction of future behaviour. Such cautionary remarks do not imply that the policy network framework should be abandoned, or that it cannot be illuminating and instructive. An enduring dilemma in social or economic research stems from the desire to produce focused and compact analyses on the one hand, and, on the other hand, the recognition that the complexities, overlaps and fluidities of the real world evade tight definitional or categorical strictures (Morgan, 1986, p.11-13). Policy network analysis does not escape this dilemma, and it is vital that provisional and heuristic constructs are not retified into thing-like or ontological entities. Thus, whilst a policy domain is defined above as an area of one or more issues, it cannot be assumed that the boundaries of such domains are clear-cut or fixed. Frequently, a specified policy domain will spill over into what may otherwise be regarded as a separate policy domain. Within Thailand, for instance, the policy domain of telecommunications is often caught up in broader debates encompassing a range of policy domains, including the privatisation of other public utilities such as electricity or water. Consequently, opponents of telecommunications privatisation may also be active in resisting the privatisation of other public services. In addition, compliance with telecommunications commitments has ramifications in other policy domains such as foreign affairs and trade. In short, policy domains and communities overlap and intermix in such ways that it is often difficult to see where one domain or community begins and another ends.

Given these qualifications, this thesis adopts the policy network framework as a metaphor for understanding the complex and paradoxical nature of policy transfer in Thailand. Concepts such as ‘policy community,’ ‘issues network,’ and ‘policy domain’ are ideal-types. They are invariably partial and provisional, but nevertheless serve as useful constructs that anchor analysis and help to focus attention on connections and systematics. They provide a somewhat abstract framework that can be subsequently filled in with the empirical details of specific case studies. And, it is this empirical, fine-grained analysis of Thai
telecommunications that I will develop in the remainder of this chapter and in the chapters that follow.

GLOBALISATION

‘Globalisation’ is a term frequently evoked in contemporary discussions about policy transfer, diffusion and convergence (Ladi, 2005; Common, 2001). The concepts of policy transfer and diffusion may have originated out of attempts to theorise the spread of policy models within nations, yet current discussions often present such processes as tangible manifestations of globalisation. Moreover, globalisation is often coupled with the concept of convergence: from this perspective, it represents an inexorable dynamic, an inescapable force that shapes and determines national policies such that they inevitably converge towards a single model. However, the theoretical approach I have elaborated in this chapter challenges such simplistic assertions and indicates the need for a more nuanced and layered understanding of the relations between structure and agency. At the same time, the proliferating discourse about globalisation does seem to capture something new in the way information, ideas and policy models are more rapidly and frequently transferred across national borders. How then, might a multidimensional approach to policy transfer be reconciled with understandings of globalisation? What is the relation between policy transfer and the intensification of transnational and global processes?

Before such questions can be answered, it is necessary to specify what the term ‘globalisation’ denotes. This in itself has been a topic of fierce debate amongst scholars, and the lack of an agreed understanding of the term is one of the most common assertions of modern social sciences (Evans and Davies, 1999). Nevertheless, approaches to globalisation tend to coalesce around several different dimensions of analysis. For instance, globalisation is often approached in cultural terms, specifically the global spread of information, ideas, symbols, images and idioms. At the economic level, globalisation involves the emergence of a complex system of multinational capitalism, in which corporations conduct business and locate production at sites dispersed across the globe. For instance, Jerram et al. (1997) define globalisation as ‘a world where factors of production or their output move freely across borders, with the result that the price of capital, labour and land, and the goods and services they produce, are equalised across the world’. Similarly, the World Bank (2000) depicts globalisation in terms of the rapidly rising economic activity in the world that seems to be taking place between people who live in different countries rather than in the same country.
Moreover, this expansion in cross-border economic interactions encompasses three features: international trade; foreign direct investment; and capital market flows. In the same paper, the World Bank (2000) links globalisation to trade and investment liberalisation, freer international trade, and open international markets for goods, services and capital.

Economic globalisation is closely associated with political developments that are intended to facilitate and control international trade. This includes the rise of non-state institutions of regulation and governance, including the International Monetary Fund (IMF) as a regulator of economic stability and the World Trade Organisation (WTO) with sovereign authority over trade disputes among its members. At the international and regional level (e.g., European Union), there has been an increase not just in the number of institutions, but also in the depth and breadth of the issues they are required to address. The same technologies and policies that make new kinds of activity possible also facilitate the spread of transnational crime, illegal immigrants, weapons and drugs. The nature of these developments is such that no state can effectively regulate on its own, and decision-making is increasingly shifted up to either the regional or the international level. Another facet of the contemporary global governance is the emergence of a global civil society. Non-governmental organisations or political alliances operate across national borders, mobilising around issues such as human rights, climate change, and biological diversity (Scholte, 2000).

Common to these various dimensions of globalisation is the sense that activities previously undertaken within national boundaries are now more readily undertaken regionally or globally. Hence, globalisation refers to the widening, deepening, and speeding up of worldwide interconnectedness in all aspects of contemporary cultural, economic and political life. This intensification of global connections clearly has ramifications for processes of policy transfer. As political linkages extend across the globe and the velocity of interaction intensifies, new and more rapid means are created for the transnational exchange of policy models and perspectives.

Yet, in theorising and examining policy transfer, a consideration of the impact of accelerating global processes should not displace considerations of structure and agency. Too frequently, globalisation is equated with convergence, and thus presented as an inexorable and inescapable dynamic leading to homogenisation. In seemingly dominant understandings of the term, globalisation is reduced to a structural imperative that implies a logic without alternative, smothering diversity and denying agency (Rosamund, 2000). Policy prescriptions
associated with globalisation – such as deregulation or privatisation – thereby acquire the
veen of predetermination or inevitability. Yet such reductionist depictions of the relation
between globalisation and policy transfer need to be challenged. As Hay (2001) has
suggested, whilst globalisation may mmasquerade as a process in both the popular and
academic vernacular, it is a process with no subject. It is in short, a process to which no
actors are linked; a process which rapidly becomes a deterministic logic of structural
inevitability the closer one looks. Accordingly, the term globalisation as used in general
academic debate can be obfuscatory, and potentially dangerous: it tends to conjure up a sense
of inexorability, inevitability and immutability; it maps a path to an end-state (a condition of
pure globalisation) that is never fully realised, yet always in the process of being realised.
This represents a dangerous conflation of process and technology that can only serve to
highlight the complex causal processes that generate the evidence frequently cited in support
of the globalisation thesis.

Hay’s (2001) comments reaffirm the need to theorise the interactions between structure and
agency and to thereby restore an understanding of how active and strategic policy actors
figure in transnational instances of policy transfer. As with the studies of policy convergence
and policy diffusion, the focus in much of the globalisation literature is structure rather than
agency or active subjects. When writing and talking about globalisation and policy
convergence without consideration of the active subjects, the process of globalisation appears
inevitable, and resistance futile. By using instead the discourse of policy transfer with a focus
on both structure and agency, this thesis attempts to make the impact of policy choices more
explicit, to show how individual actors can either reproduce or transform structural factors.
This also allows greater scope to examine the competence and motivation of policy actors to
engineer differential adaptations to structures.

The ideology of globalisation assumes that the convergence upon a single model or outlook is
inevitable, and that all countries will eventually adopt capitalist democracy, western social
institutions and advanced technology. Its proponents claim that this prosperous society will be
populated by wealthy consumers who will be happy by default. Instances of resistance to
globalisation are portrayed as marginal, anachronistic, unnatural, irrational and unreasonable.
Problems arising in so-called modern democratic polities are ascribed to incompetent
implementation rather than being systemic. In this model, the developed countries are already
democratic, modern and fulfilled.
As the centre-piece of economic globalisation, the capitalist economy of international trade compels nations to compete more efficiently and effectively. Consumers, voters, business groups and others in developing countries, who see the prosperity of life in developed countries via global media, put pressure on their politicians (if they needed any) to adopt advanced technologies from developed countries. For example, witness Thailand’s rapid take-up of telecommunications technology in the 1990s and 2000s (see Chapter 5) derived in part from popular demands placed on government regulators and providers.

A final observation on globalisation is that it has both positive and negative impacts. For example, the negative impacts resulted in various economic crises in 1990s as pointed out by Dymski (2002, pp.1-19):

…unregulated cross-border financial flows, have witnessed eight major episodes of international debt and currency crisis, the 1994-95 Mexican tequila crisis, the 1997-98 Asian Financial Crisis, the 1998-99 Russian ruble/ Long-Term Credit Crisis, the 2002 Turkish Crisis, the 2001-2 meltdown of the Argentina economy, the 2002 Uruguayan Collapse. International debt crisis has become a defining feature of the contemporary world economy (Eatwell and Taylor, 2000).

**CONCLUSION**

This chapter has introduced a range of concepts and debates which provide much of the context and framework for this thesis. The most important concept is that of policy transfer. This provides the focus for the thesis but as has been shown, it is necessary to supplement its agency orientation with structural and environmental influences which are emphasised in the concepts of policy diffusion, policy convergence and globalisation. This chapter also considers another area of concept and theory which is vital for comprehending the interactions of stakeholders engaging in policy transfer. This is policy network analysis. Furthermore, chapter supports the central theme animating this thesis that policy transfer is not a direct and linear process. Policy transfer does not necessarily deliver identical outcomes in the source nation and the recipient nation. Indeed, the policy being transferred may undergo considerable reshaping as it is subject to the influences of domestic and international forces and actors.
Chapter 3

Telecommunications Privatisation Policy Transfer

INTRODUCTION

In the previous chapter, the conceptual elements and those of related approaches of policy transfer were delineated and discussed. In doing this, various forms of the transfer process were sketched out. The previous chapter also elaborated upon this theoretical grounding by introducing the core themes and concepts of the policy network approach. This range of concepts clustered around the central notion of policy transfer enabled the creation of an analytical framework which can be applied to particular cases. However, before undertaking the case study, for this thesis it is necessary to introduce two other concepts relating to the field of examining policy transfer case study. These are privatisation and policy reform.

PRIVATISATION

The second conceptual field utilised in this thesis focuses on the notion and practice of privatisation policy. There are many works of research that attempt to identify the effects of privatisation indicating both the costs and benefits of the process (see Dhirataykinant, 1995; Haque, 2001; and Meek, 1998). The inconclusiveness of the debates can be viewed as part of the baggage that necessarily accompanies privatisation policy transfer.

Hemming and Mansoor (1988, p. 1) state that the earliest recorded use of privatisation took place in 1948. They trace the growing popularity of privatisation, which is seen as a contributor to economic growth, especially in the industrial countries in the mid-1980s. However the word ‘privatisation’ was recorded for the first time in 1948.

The world “privatize” and “privatization” appeared for the first time in the 1983 edition of the Webster’s Ninth New Collegiate Dictionary, where their earliest recorded use is given as being in 1948. However, S.H. Hanke claims responsibility for popularizing these words while serving the U.S. President’s Council of Economic Advisers in 1981 and 1982 (Washington Post, January 13, 1986).

Meggison and Netter (2003) note that people associate privatisation programmes with Margaret Thatcher, who came to power in the UK in 1979. Since then, privatisation has
captured government and policy makers’ attention in both developed and developing countries and many governments have expressed their keen interests in privatisation policy (see Collyer, 2003). There are many international players involved in the privatisation process in developing countries, such as the World Bank, the International Monetary Fund (IMF) and organisations from some rich countries (Dinavo, 1995, pp.40-50).

In Thailand’s case, debates on privatisation started as early as the 1960s when the first official privatisation policy was introduced. This appeared in the first National Economic Social Development Plan (NESDP) in 1961 when Thailand adopted the World Bank’s economic strategy for boosting private involvement in industry and trade (Office of the National Economic and Social Development Board, 2004). The government did, however, rule out direct competition between public and private sectors in this first NESDP. Thus, Thailand can be regarded as a nation that has been highly receptive to considering emerging policies, such as privatisation, originating in different countries. This is due significantly to the strong role played by international financial institutions, such as the World Bank (see chapter 4) and the IMF, which have provided loans to Thailand, especially during economic crisis, and policy advice over much longer period (see chapter 5). For example, Dinavo (1995, p.42) refers to facilities that the IMF has used to respond to financial crisis in developing across the globe:

In order to respond to the financial crisis in the poorer developing countries, the International Monetary Fund has equipped itself with two facilities: the structural adjustment facility (SAF) in March 1986 and the enhanced structural adjustment facilities (ESAF) in December 1987. These two facilities, with a fund valued at SDR 8.7 (about US $12 billion, served the main purpose of helping the poorer developing countries with protracted payment problems like measures to improve their balance of payments and to foster economic growth.

Many governments might follow other nations in participating in what is described by Hood (1994, p.4) as the ‘international policy boom’ without having adequate empirical data or adequate research to support their policy choice. This could apply to privatisation. As Collyer (2003, p.3) argues, ‘there is also little evidence that policy makers use rational techniques or existing research evidence when making policy choices’ particularly in the case of privatisation (see Jansson, 2000, p. 47; Kay and Thompson, 1986, p. 31; and Collyer et al., 2001). Consequently, privatisation has given rise to all sorts of implications and complications for the nations adopting the policy.
Aims, Forms and Methods of Privatisation

This section provides necessary background on privatisation by examining contemporary literature to identify past and ongoing debates on privatisation. There have been many studies that define privatisation and explain its objectives, methods and forms. For example, Graham (2000) lists the aims of privatisation to include the reduction of government involvement and participation in the private sector, improvement of private sector efficiency and the expansion of share ownership. Savas (2000, p.6) attempts to explain major influences that have propelled the privatisation movement including less dependence on government, more business opportunities, better choice in public service and more cost-effective public service.

The degree of government involvement in the economy differs widely according to the country and the specific industry, ranging from acting as a regulator of privately administered companies to exclusive ownership of SOEs with no form of privatisation. Megginson and Netter (2003) mention that a multinational consultancy firm like Price Waterhouse has described the goals of privatisation as including: revenue raising, economic efficiency, reduction of government interference, promotion of wider state ownership, competition, and subjection of SOEs to market discipline.

There is no single definition of privatisation, rather broader or narrower definitions used by academics, experts and practitioners. Megginson and Netter (2005) mentioned that a broad definition of privatisation would identify the denationalisation of the British steel industry under the Churchill government in the early 1950s as the first privatisation. Later on, privatisation became a leading policy in the UK with the initial public offering of British Telecom in 1984. Le Grand and Robinson (1984, p.3) also use a broad definition of privatisation, yet also involve the political element. They see privatisation as a ‘political commitment to roll back the public sector’, which may involve ‘dismantling state provisions, subsidies and regulations to free market forces’. Hemming and Mansoor (1988, p.6) provide another broad-based definition of privatisation which is ‘any shift from the public to the private sector’. This could be no more than the introduction of private capital or management expertise into public sector activity, with the intention of increasing the scope of the market to allow the private actions of producers and consumers to determine the production and allocation of goods and services. Donaldson (1995) refers to privatisation as the divestiture of public assets to the private sector, or any transfers of ownership or control from public sector to private sector. He also elaborates that a more exact definition of privatisation would require
the condition that private operators or owners must be given substantive autonomous authority. Kurtz (2001, p.218) adds that legally speaking, majority ownership is the most practical way to ensure such ‘substantive independent power’.

Ramanadhan (1993) sums up some narrower definitions of privatisation as the subjection to the market of enterprise operations through ownership, organisational and operational changes. However, it is possible for government to retain some ownership of the enterprise after the transfer of an asset from the public to private sector. He mentions that besides divestiture or the transfer of ownership, privatisation can also include substitution. For example, contractors may replace public employees even though the public sector still retains ownership. Vongvibanond (1990) explains that further privatisation can also consist of policies and programmes that increase competition and reinforce the role of private enterprise.

Regardless of broad or narrow definition of privatisation, one can see that the concept or practice refers to some forms of transfer of ownership of SOEs, either partially or fully, from the public to private sector. Privatisation can generate a range of reactions from the public, who tend to view privatisation differently depending on the context, be it an election commitment or the selling of national assets. They may also consider how a particular privatisation will effect them personally or simply have an ideological positions in relation to it. This variable perception of privatisation by different actors involved in the privatisation process will be further discussed in later chapters.

Dhiratayakinant (1995) mentions that, with broader and narrower definitions cited above, privatisation comes in many variations, depending primarily on the goals that the government in question is trying to achieve. For example, Haque (2001) mentions that in Thailand, the Philippines, South Korea and India, privatisation has included sale of assets, sale of equity, leasing, management buyout and corporatisation. In turn, the range of methods involved in privatisation has resulted in the development of a specialised vocabulary. This thesis uses privatisation definition of Domberger and Piggott (1986) who refer to privatisation as any transfer of assets or activities from the public to private sector. This choice of definition is partly due to wide application of the term ‘privatisation’ in Thailand. The definition is consistent with that for privatisation given by the Ministry of Finance of Thailand in 1998 (Ministry of Finance of Thailand, 1998a). Privatisation in Thailand includes any measures to increase private sector participation in sectors currently occupied by government SOEs. The Ministry declared that forms of privatisation in Thailand include concession arrangements,
joint ventures, divestiture of SOEs or assets (ownership transfer), management contracts, leasing, outsourcing, contracting services, deregulation, creation of needed regulatory bodies and introduction of new competition.

Privatisation can be undertaken by many different techniques and this can lead to confusion when discussing privatisation efforts in different countries. Privatisation comes in various forms such as asset sales, contracting out, private sector participation, divestiture, and denationalisation. Appendix 2.1 summarises some of its most important forms to guide the reader through the complexities of privatisation techniques. However, readers should be aware that many of the terms are overlapping, and that choice of terminology may vary simply according to the preference of the user.

It should be noted that privatisation policies and techniques are not guaranteed to be successful. Actions such as those listed above are supposedly selected to fit with a particular policy environment. However, while there may be similarities between countries, there will always be some differences. Summarising the advantages and disadvantages of privatisation methods, Savas (2000, pp.139-146) concludes that a suitable policy environment is needed to achieve the privatisation goals. Policy on its own without such a supportive environment will not succeed. Savas (2000) also conducted studies on the results of privatisation, and mentioned that although lessons could be drawn from various cases were only applicable to countries in particular circumstances.

**DEBATES INVOLVED WITH PRIVATISATION**

The application of privatisation in public policy is the product of a diverse range of influences including ideas of economic efficiency, politics and social justice. Beder (2004) takes into account the complexities of privatisation and states that privatisation does not simply mean the selling of government enterprises. If a government supports privatisation policy it must be able to justify the merits of privatisation to a potentially sceptically public. Johnston (1979, p.1) mentions that the economic debate on privatisation ‘is as old as the economics discipline’ itself. However, economics should not be the sole discipline used to analyse privatisation policy, define its characteristics and theorise its global transfer. While debates on privatisation may often appear to be based on rational calculation, there are invariably strong normative elements involved.
Privatisation has been in the realm of public policy since the last quarter of the twentieth century and has generated many debates on its economic context, political orientations, social impacts and ideology implications. Even more debate has been generated by linking the issue of policy transfer to that of privatisation across the globe. The results in a multiplicity of diverse views coming from different disciplines and sometimes developed independently within a particular discipline leading to much inconclusiveness and disagreement. Diverse disciplines, despite similar research agendas, seem to speak past each other on the issue of privatisation. As Collyer (2003, p1) who attempts to explore current privatisation theories from a sociological perspective has stated:

> In the last two decades of the twentieth century many governments across the world have displayed an unprecedented attraction toward policies which encourage and allow the marketisation of the public sector and the privatisation of public assets and services. While the financial and social impact of this policy shift has been empirically documented, theoretical development regarding possible underlying causal processes remains in its infancy.

Similarly, the Centre for the Study of Privatisation and Public Accountability at Monash University (2003) has identified a lack of understanding of the legal and social implications of privatisation and emphasised the need for further research employing a multi-disciplinary discipline techniques and perspectivess.

The following sections attempt to do just that, to analyse privatisation using a multi-disciplinary perspective, including political, economic and social elements, to explore the claimed advantages and disadvantages of privatisation.

**Efficiency Debate**

This leading to argument on privatisation concentrates on economic efficiency. From a review of the literature, this study takes the view that economic efficiency justifications for privatisation are at best inconclusive. Those that support privatisation tend to quote the standard economic analysis of the private sector using a market-based system to justify the price and quantity of the services. Paliwala (2000) and Barzek (1989) advance views that support privatisation including ‘government failure’ and state sector inefficiency resulting from employees having no clear stake in SOEs. Such lack of personal ownership and incentives can reduce active engagement. Leys (1996) suggests that the IMF and World Bank distrust bureaucrats, and that their prescription for privatisation is based on a ‘public choice’ theory, which states that politicians and bureaucrats work to maximise institutional and individual interests rather than the public interest. The government bureaucracy can create a
complicated system of red tape that is fundamentally inefficient. In the case of overstaffed SOEs, employees may incline to maintain the inefficient status quo and use their political capital to preserve SOEs.

Hemming and Mansoor (1988, pp.1-19) refer to views of privatisation advocates that attempt to explain the reasons behind SOEs inefficiency and enumerate factors that lead to excessive costs incurred by these enterprises. For example, considerable monopoly power can lead to a lack of incentives to respond to consumer demand since SOEs enjoy government guarantee privilege and funding support. Moreover, SOEs are not exposed to the risk of being taken-over. Increased efficiency after privatisation can take place due to the limited scope for political interference and the elimination of bureaucratic dysfunctions. Privatisation not only imposes the discipline of the private capital market, but also reduces budgets associated with inefficiency (or high production costs), and moreover, future sale proceeds of privatised SOEs will benefit public finances.

By contrast, there are many authors who argue against privatisation and disagree with the efficiency claims made about the private sector. Hemming and Mansoor (1988, p.3) have pointed out that increased productivity and lower production costs are more likely to be realised when privatisation introduces competition. Otherwise the benefits of privatisation will be restricted to specific groups. Thus, Hemming and Mansoor (ibid) argue that:

"Significant gains in efficiency are more likely to result from privatization of some of the major public monopolies, but only if this results in their being exposed to competition. The transfer of a public monopoly to the private sector, with its monopoly left intact, may be achieved (sic) only limited increases in productive efficiency."

Moreover, in reality, perfect competition is subject to many constraints including barriers to market entry, non-existence of many buyers and sellers, non-homogeneous products and imperfect information (see Friedman, 1980). Those who are against privatisation also argue that there are many good reasons for government to support SOEs, largely due to social obligations to increase welfare and the standard of living of the general public. Hemming and Mansoor (1988, p.12) argue that efficiency gains due to better cost structure also take place when privatised SOEs retain most of their monopoly power due to ‘statutory protection’. The key point to recognise is that without adequate market regulation of actual competitiveness, privatisation does not necessarily lead to efficiency gains. Thus, there is not enough evidence to support the view that the private monopoly can produce mixed products with a higher value, as viewed by consumers, than a public monopoly.
Another anti-privatisation proponent, Ramamurti (1999), questions the assumption of the superiority of private over public ownership because of inadequate empirical data. Hemming and Mansoor (1988) comment that the benefits of privatisation depend largely on associated government regulation, which is required to monitor the effectiveness of private competition by providing consumer protection and preventing anti-competitive behaviour. Kurtz (2001, p.249), meanwhile, contends that privatisation ‘has had little impact on efficiency and economic growth’, positing that ‘perhaps an effective public organisation should be considered as an alternative to private sector provision of public services’.

A further efficiency argument that supports the role of government concerns externalities (such as pollution control) that require a regulator. Hemming and Mansoor (1988, pp.19-20) refer to the view that ‘privatisation may be less appropriate in developing countries than in industrial countries’ since market failure is usually more prevalent in the former than the latter. There are also questions raised about whether privatisation will merely substitute a public monopoly with a private monopoly due to ineffective regulators in developing countries. This view is supported by Boxill (2000) who argues that with the financial crisis in Asia in 1997, there has been increasing scrutiny of the validity of various notions promoted by international financial organisations, including privatisation, and that there is no universal model of industrialised countries that is applicable to Asian countries.

Those who oppose privatisation also argue that privatisation does not necessarily lead to competition (see Meek, 1998). Bortolotti and Siniscalco (2004, pp. 6-12) use two fundamental theorems of welfare economics, namely ‘competitive equilibrium’ and ‘Pareto-efficiency’ and, turn to postulate a certain purely theory with unrealistic conditions, namely perfect competition, non-existence of externalities, no production or consumption of public goods and perfect information. Beder (2004) explains that if government advisers and consultants, who have financial and ideological interest in pushing privatisation vigorously but neglect efficiency improvement, such action will contribute to only the short-term influx of capital rather than any long-term fruitful privatisation outcomes. This applies to situations where multinational organisations provide funding to developing countries that contract out the private firms to build infrastructure, but these developing countries do not effectively monitor the privatisation outcomes in long run. As a result, the developing nations may lose the opportunity of having successful privatisation. Also, the combination of government corruption and pressure from consultancy firms means that the transfer the privatisation know-how has principally benefited consultancy firms and some individuals in government.
The OECD (2000), noting the differences between developed and developing countries, concludes that the fundamental problem facing privatisation in developing countries is the lack of competitive environment that can facilitate the transformation of monopolies to free competition under progressive liberalisation. OECD stresses that successful privatisation comes with specific conditions, including the introduction of competition, improved corporate governance, separation of regulatory and commercial functions, and new regulatory frameworks in cases of natural monopoly where the introduction of competition is not possible.

It is important not to overlook both the tangible and intangible costs involved with privatisation as reform involves legislative, administrative and even social costs. Sampford (1998a, p.254) argues that these costs could be expected to lead to a tendency to underprice the asset to ensure that the privatisation is successful. In the case of developing countries where governments do not have large budgets for research and development, expensive consultancy fees are usually associated with privatisation. Sampford (1998, p.254) mentions these:

…include the costs of legislation, legal advice, due diligence, brokerage and underwriting fees. The fees can easily reach 2-3 per cent of the value of the enterprise and are not irrelevant to the excitement privatisation generates among the legal and stockbroking industries - and the uncritical support they offer for it.

In addition, there have been many examples of problems in the implementation of privatisation. Hemming and Mansoor (1988) note that even the UK, with a fully developed financial environment, found that it is hard to determine the market value of enterprises for sale, and predicted that valuation problems would be even more problematic in developing countries. Further, privatisation has been criticised as a means of coercive policy transfer by multinational corporations. Suleiman and Waterbury (1990, p.2) raise the question of whether the privatisation reform process is driven in response to domestic considerations, by ‘creditors or international example’. They point out that privatisation policy in advanced industrial countries ‘has been guided more by social and political considerations’ and ‘legitimised by economic considerations’. It is therefore to be expected that the hasty transfer of privatisation policy, if inappropriate for a particular domestic recipient context, could result in implementation problems.
Social Justice Debate

The second of argument involves various views on social issues. Similar to the economic debate, there is also a mix of socially derived viewpoints that support or argue against privatisation. Ramanadham (1993, p. 51) defined social benefits as:

Benefits that one enjoys either paying less than what the due costs imply or by receiving more than what is due to be received on commercial criteria. Prices lower than related costs and wages higher than at market rates are examples.

Those who oppose privatisation point to its negative effect on social justice and argue that privatisation often, if not always, results in a loss of social justice. For instance, Heath (1997) notes that in Britain and America, privatisation led to a reduction in social security support that normally affects those from low socio-economic backgrounds and comprise vulnerable and disadvantage segments of society. This counter argument could be that privatisation still made good economic sense due to the increased incentive for affected individual to obtain work. Heath (1997), however, associated these processes with increasing income inequality. Filatochev (1994) observes that there has been increasing criticism on the ethics of Management Buy-Outs (MBOs) as a form of privatisation. He says, MBO is a process that serves the interest of management at the expense of shareholders’.

For the telecommunications sector, social justice comes with the concept of a ‘universal service obligation’ (USO): universal access for everyone at a reasonable price, regardless of geographical location, and especially for those in remote and rural areas. In terms of USOs, it is the government’s obligation to provide this equal access to telecommunications. Evaristo (2000) notes that this very concept is the reason for the absence of telecommunications from the list of natural monopolies in most countries. Evaristo (2001) also refers to the US Telecommunications Act of 1996 that supported competition and deregulation. Section 254 of the Act invoked the USO on the basis of it ‘potentially creating the need for cross-subsidies’, and therefore implied more regulation and less competition (Evaristo, 2000, p.66). This demonstrates the trade-off between economic efficiency objectives and social equity objectives.

Dhiratayakinant (1995), has analysed the impact of privatisation benefits distribution across society in Thailand and concluded that the distributional impacts are the most crucial factors in explaining the success of privatisation. For instance, privatisation measures that are confronted with strong resistance have a low chance of success. This thesis supports this
conclusion and stresses the importance of positive distribution impacts in the society as a prime driver towards successful privatisation. The negative distribution impact of certain privatisation measures can lead to adverse effects such as job termination of SOE employees. On the other hand, privatisation can also bring positive gains to private entrepreneurs. Dhiratayakinant (1995) found that policy makers in Thailand have paid inadequate attention to distributional equity in privatisation policy formulation.

The neglect of social benefits that are not profitable in corporate eyes is a major concern, especially in developing countries. Such negligence of public welfare can create distrust and anti-privatisation sentiment. Beder (2004) mentions that private companies perceive themselves as often free from social obligations, such as equity and universal access, and focus on profitability involves cost-cutting. Thus, in order to avoid social injustice, it falls to third world governments to pay close attention to the issues of effective application of corporate governance, consideration of shareholding among small segments of the population, and fair redundancy packages for former employees of privatised SOEs.

Many commentators have expressed their views against privatisation in relation to corporate negligence of community services. Since the corporation is driven by profit motivation, many questions have been raised as to the nature and effectiveness of corporate governance. How can proper corporate governance be ensured? How can the conflicting interests of corporations (which seek to maximise profits), and the public (who seek equal access to public goods and service) be resolved? How can the role of government as a regulator be organised to ensure social benefits? Further, despite various studies of the limitations of the privatisation process with respect to SOEs (Paliwala, 2000), there is still insufficient work on the social impacts of privatisation in the third world to make definitive statements on the matter (Paliwala, 2000; and Katz and Ahene, 1992).

Finally, the social justice challenge lies in maintaining political transparency, which is crucial to create a fair playing field for investors, and to ensure consumers are getting a good deal and their interests are being taken into account. Developing countries are often subject to criticism for a perceived lack of political transparency and accountability. For example, there is often limited data on the role and operation of financial markets in the privatisation process in developing countries.
Political Debate

The final area of privatisation debate involves politics. Privatisation has ramifications for both international and domestic politics. The thesis has alluded to the fact that privatisation brings about increasing political roles of private players in Thailand. Privatisation signifies the process of transfer of industries, businesses and services from public ownership to private enterprise. Thus, privatisation provides opportunities to the private sector to operate in many sectors that once were regarded as the prerogatives of national states such as education, health, taxation and customs. Privatisation also generates national debates that may affect the popularity of a political party. The decision to privatise and the choice of privatisation method appear to be influenced by the governing political majority. Thus privatisation can be strongly associated with political choice by the public, but if the ruling party introduces privatisation without seeking electoral support, it may well experience a backlash from the electorate.

Privatisation can have a role to play in international and domestic politics. For instance, Donaldson (1995) notes that the International Finance Corporation (IFC) (an agency of the World Bank) adopts a political role when promoting privatisation through its dialogues with national governments in developing countries. Besides the standard claims for enterprise efficiency and performance, competitive industry, and mobilisation of capital and foreign direct investment, the IFC further notes that privatisation is politicised and influenced by non-economic reasons and that it is possible to custom-build privatisation plans to suit a political market (ibid). In furtherance of this role, the IFC has developed various models for privatisation, eg Russia has used auctions for small-scale privatisation and voucher-based auctions for large-scale enterprises (ibid). However, domestic policy actors generally demonstrate conflicting interests.

Many authors consider that politics has played a crucial role in privatisation. For instance, Cormley (1994) considers privatisation as a political phenomenon rather than an economic, fiscal or administrative one. On the international front, privatisation can be regarded as involving a major and irreversible international political commitment. This impetus for privatisation is often associated with an international source of finance that was a part of economic crisis management in developing countries, especially to remedy debt and corruption and to improve political image (see Paliwala, 2000; and Ramamurti, 1999). Indeed, Paliwala (2000) sees that the period of dominance by SOEs in developing countries as a
demonstration of the domination of politics over economics. Furthermore, Suleiman and Waterbury (1990) refer to privatisation as a national measure employed to respond to a crisis involving the inability to meet external debt obligations. For example, this thesis refers to the case of IMF using privatisation as a loan condition for Thailand during the Asian financial crisis of 1997.

Sampford (1998a, p.254) noted that ‘Politicians pushing privatisation are less concerned that the price be maximised than that the sale goes through. In this they will be aided and abetted by the underwriters who want to minimise their own risk’. Another cost in privatisation is that of contracting, specifically because, ‘Its substantial costs arise at both the tendering stage as well as after the contract are awarded’ (ibid). Indeed, if the original award is only for a ‘test period’, the entire process with its accompanying costs must be revised following that period.

Sampford (1998a, p.255) further highlights the presence of complicated business ethics issues arising from the high value of the semi-monopoly privileges of SOEs and the potential for corruption. He remarks on the ethical difficulty in privatising government organisations that:

provide very volatile and potentially problematic services, such as health and penal services. The shift to 'private' management of such bodies can prove to be extremely dangerous, as the factor of accountability becomes increasingly intangible (even if previous accountability was only reflected in decreased votes for the government).

Sampford (1998a, p.255) highlights the phenomenon of ‘deregulation leading to an increase in the power of individuals and privatisation leading to a share-owning democracy’. This idea of a share-owning democracy is intended to show the strength of capitalism in the globalisation era. Thailand is an interesting case study where privatisation is highly politicised, with close associations between high-level officials and the telecommunications sector. Sampford (1998a, p.256) identifies groups of people who would be the beneficiaries of privatisation, and would therefore be strong advocates of privatisation. These groups include:

‘the stockbroker, underwriters and lawyers. These 'beneficiaries' are certainly the most active and vocal in their advocacy of the advantages of privatisation. This in itself should send a cautionary signal. Most economic argument assumes that the behaviour of human beings can be approximated to that of those acting in pure self-interest...’

On the other hand, Bortolotti and Siniscalco (2004, p.70) argue that ‘there is no strong evidence to show that privatisation has contributed to wider share ownership or to promote the economy, nor has it significantly shifted political preferences, creating support for market oriented policy’.
Policy implementation is a highly politicised phase of the policy process, where important and far-reaching decisions may be made about the allocation of resources and determination of benefits (Grindle, 1991). For example, privatisation in Thailand has been strongly influenced by powerful actors, especially those operating through business networks. Therefore privatisation may end up benefiting only a selective group of business elites. Stone (1995) supports this point that although bureaucrats and elected officials may regard privatisation as a primary mechanism to reduce the cost of a service. Their opinions are actually strongly influenced by the experts in policy making who promote and shape privatisation using academic arguments as justification. The elected officials then use their networks and contacts with other opinion leaders to push new ideas into implementation.

**PUBLIC SECTOR REFORM AS POLICY TRANSFER**

The much-publicised public sector reforms undertaken by Anglo-Celtic countries over the past two decades have been motivated almost entirely from within, and in most cases driven by political ideology. This long menu of reforms is known under the label of New Public Management (NPM) (Hood, 1994). Most of the governments that have undertaken NPM reforms have been controlled by right-wing or conservative parties, although in New Zealand a Labour Party government implemented reforms that were regarded as being more comprehensive than any of the conservative governments in Canada, the US and the UK (Verheijen, 1998; Boston, 1996).

In Thailand’s case, the motivation for reform comes from pressure from external agencies including international financial institutions (IFIs) including the World Bank (WB), the International Monetary Fund (IMF), the Asian Development Bank (ADB); multilateral aid agencies including the United Nations Development Programme (UNDP); and bilateral aid agencies including AusAID; and local Bangkok-based intellectuals. These organisations have pushed for and funded public sector reform (Dinavo, 1995). In the 1990s, Thai intellectuals called for public sector reforms as part of a broader package of political and social reforms. This domestic pressure for reform may be considered a type of perceptual transfer. However, there has also been coercive policy transfer, as when the IMF included public sector reform as a loan condition after the financial crisis of 1997.

Public sector reform has had mixed success around the world (Mierlo 1998, p.40). The Thai reformers appear to have picked an ideal type of administrative system from what they deem
to be international best practice, assuming that what is best for the US, New Zealand and Australia would likewise be good for Thailand. But there has been little public discussion of what is appropriate for Thailand’s political, social, economic and cultural context, which reforms Thailand may be able to implement, or how they might work in Thailand’s particular socioeconomic, cultural and political milieu.

The lack of attention to social and other contextual issues in public sector reform doctrines imported from English-speaking countries is evidence of the technical or instrumental rationality of the advocates of these doctrines. The reasons for their lack of attention to existing condition may be the fact that instrumentalists are quantitatively oriented and usually proceed on the basis of measuring abstract variables that may bear little relation to everyday life and empirical experience. It is more convenient for instrumentalists to ignore the difficulties in the measurement and definition of domestic phenomena, than to include them in their own models. For example, Deolalikar (2002, pp. 3-33) conducted a number of case studies on poverty reduction in Thailand for the period of 1992-1999. He concluded that despite a good record of economic growth measured in quantitative term, strong negative consequences of low well-being measured in qualitative term, will eventually bring about a reduction in future growth rates.

Public service reform doctrines that take account of local context should prove to have greater validity and relevance to the communities where they are to be implemented than unchanged imported models (see Gasper, 1996). Where the domestic stakeholders view the doctrines of reform to be valid, it follows that there will be positive political implications. (see Esman, 1991). Thailand’s enthusiastic import of NPM appears to reflect the focus on technical or instrumental rationality. Government has deliberately followed some of the leading characteristics of NPM as set out by Hood (1996): hands-on management; performance measurement; focus on outputs; disaggregated semi-autonomous work units; competition; private sector management practices; and parsimonious use of resources. However, whether the practical and selective application of these NPM principles has taken into account the empirical realities of Thai society and public administration is open to doubt.

While NPM is about public administration and does not directly concern privatisation, it does derive from the similar modes of economic and political thinking. One of the leading features of NPM is that it reflects a shift from adherence to the principles of bureaucracy to those of the market. Furthermore, the NPM-favoured management methods of the private sectors are
judged to be superior to those of process-oriented bureaucracy. This is demonstrated in a focus on results. However, efficiency is not neglected. Indeed, its importance is enhanced, as it is through greater efficiency that the results are attained. NPM’s concern with the market and the private sector is also found in the arguments that are advanced to promote privatisation. As we shall see later. These arguments also claim superiority for the private sector in the production of goods and services.

CONCLUSION

The chapter has introduced another stream of conceptual debates – that which accompanies the notion of ‘privatisation’. As has been demonstrated, there is considerable disagreement about the costs and benefits of privatisation. Also, these debates and disagreements range across economics, social and political terrain. What is important for the thesis is that they are evident among the actors who populate the policy transfer framework which has been adopted to examine telecommunications privatisation in Thailand. It has been demonstrated how the constitution, costs and benefits of specific debates on privatisation interact with wider discussions on public reform in general. With these conceptual matters determined we are now equipped to move on to privatisation in Thailand
Chapter 4


INTRODUCTION

This chapter first overviews the definition and forms of state-owned enterprise (SOEs) in Thailand, and then describes the process of their privatisation. SOEs in Thailand (formerly Siam) have been evolving through many political and socio-economic changes. This chapter thus looks at the different historical periods of SOE privatisation, including the one emerging out of the 1997 Asian Financial Crisis. It describes how internal and external factors have influenced the development of SOEs in Thailand, and the more recent approach to SOE privatisation, and then examines the interaction between domestic policy actors and external ones, such as the IMF, the World Bank and multinational organisations. After all, privatisation is not conducted in an ‘economics laboratory’, but in a real world, where it has to deal with both domestic and international political, economic and social forces and where, once implemented, its real consequences have to be accounted for (Turner and Hulme, 1997).

STATE-OWNED ENTERPRISES (SOE) AND PRIVATISATION

Before focusing on SOEs and privatisation in Thailand, the following term needs to be firstly defined. The Thai term ‘Rattavisahakit’ translates into English as public enterprise or ‘state-owned enterprise’. The word ‘Rattavisahakit’ officially appeared for the first time in two Acts of Parliament, namely the National Economic Development Board Act 1959 and the Budgetary Procedure Act 1959. The definitions of public enterprise that appear in these two acts are effectively the same. The definition appearing in the Budgetary Procedure Act 1959 is:

A governmental or business organisation that is owned by the government;
B company or partnership in which government agencies hold in aggregate more than 50 percent of shares;
For the purpose of this thesis, the above definition will be used. Note that the term SOE (which is used throughout the thesis) is interchangeable with ‘public enterprise’, a term widely used in the Thai literature from the 1960s to the 1980s. Eventually, the term ‘SOE’ became widely known throughout Thailand around the 1990s.

Thai scholars (Dhiratayakinant, 1991; Sumamarn, 1993) define public enterprise as a government organisation or business unit owned by the government or a corporation or partnership in which the government owns more than 50 per cent of the equity capital. Dhiratayakinant (1991) also examined the meaning of ‘privatisation’ in the Thai context. He explored alternative forms and provided details on privatisation strategies including minimum intervention, minimum public production and improved competition, use of commercial principles and transfer of ownership.

As discussed in Chapter 2, the term ‘privatisation’ has a wide range of definitions, and the privatisation concept encompasses a range of different initiatives. Indeed, as Ghosh (2000) notes, the term privatisation has an omnibus character, and can include anything from denationalisation to marketisation. This is certainly the case in Thailand, where privatisation was recently defined by the government (Ministry of Finance, Government of Thailand, 1998a.) as:

any measures that increase private sector participation in sectors where Government enterprises presently operate, including divestiture of state owned enterprises or assets (ownership transfer), concession arrangements, joint ventures, management contracts, leasing, outsourcing, contracting services, deregulation which increases competition, creation of needed regulatory bodies, and introduction of new competition

This thesis will use this definition when referring to privatisation in Thailand. It can be seen that in Thailand the word ‘privatisation’ has been used to cover a wide range of practices including the sale and liquidation of public enterprises, joint ventures, contracting out, franchising, leasing and liberalisation (Dhiratayakinant, 1991).
THE CONTEXT OF STATE-OWNED ENTERPRISE AND PRIVATISATION IN THAILAND

The state of Thailand (until 1937 known as Siam) has a long history of both direct involvement in the economy, and promotion of the private sector. As a stone inscription from the 13th century, attributed to King Ramkhamhaeng (1279-98) of the Sukhothai Kingdom, notes:

Feel free to sell cows if desired. Feel free to sell horses if desired. Feel free to sell elephants if desired. Who wish to trade for gold or silver are allowed. For everybody will be happy (Bangkok Metro Administration, 2003, p.3)

This statement demonstrates that it was the King's policy to promote a system of free enterprise within the kingdom (Pupphavesa, 1998). For example, he allowed private enterprise to own property and operate businesses under contract to royal monopolies and other private enterprises (Wyatt, 1982; Syamananda, 1981). The private sector existed side by side with the royal trade monopolies, which generally were standard features of the commercial life of Siam at that time.

This flexible economic policy continued through three consecutive Siamese kingdoms from Sukhothai (1240-1438) and Ayudhya (1569-1767) to the early period of the Chakri Dynasty (1782-1832). During these periods of absolute monarchy, the King controlled the mode of production and operated the royal enterprises with varying degrees of private involvement. In the Ayudhya period, and especially during the reign of King Narai (1656-88), royal companies expanded into international trade with the aid of foreign advisers such as Constantine Phaulkon, the Greek adventurer-turned Foreign Minister of Narai (Wyatt, 1982).

Thus, before the modern era, Thailand experienced a considerable involvement of the state in the commercial activities of the Thai nation. The main objective of this was originally to extract taxes for the King and the ruling class, primarily by awarding franchises to private business people for the production and sale of certain goods. Later, production and distribution by the state also became sources of income for the government.

In the modern era, SOEs have continued to play an important role as revenue earners for the state and as a major part of the national economy. The government created and used SOEs to sustain national sovereignty and security, develop infrastructure, stimulate economic growth, build basic infrastructure and provide essential goods and services. The modern history of the
formation of SOEs in Thailand, and their subsequent privatisation, can usefully be divided into four broad periods as follows:

- The establishment of SOEs under absolute monarchs (1855-1931);
- The expansion of SOEs under constitutional monarchs and military regimes (1932-1960);
- The development of privatisation policy in parallel with the establishment of SOEs (1961 to 1997); and
- The implementation of privatisation policy (1998-2005), the cut off year for this study).

The four periods are all characterised by different systems of governance that influenced the ways in which SOEs were created, managed, dissolved or privatised, with many SOEs existing at present due to particular social, economic and political reasons (National Statistical Office, 2002). The influence of other countries and of international organisations, on SOE and privatisation policies has often been evident, but has also changed over time.

First Period: Establishment of SOEs under Absolute Monarchy (1855–1932)

Until the 1930s, Siam was ruled as an absolute monarchy and the economy was mainly run by barter transactions. The State monopolised foreign trade, and warehousing provided a substantial part of the royal revenue from them (Suwanabol, 1978). This first period witnessed the continuation of the long-standing tradition of royal monopoly and the establishment of SOEs to provide services to the public and, in the later stages, to strengthen Siam’s security and modernisation during the period of colonial expansion by European nations. In the nineteenth century, due to continuous pressure from colonial powers during the reign of King Rama IV (1851-1868) Siam was forced to sign the Bowring Treaty of 1855 with Britain and other similar treaties with France and the United States. These treaties granted foreigners extraterritoriality and other privileges, while Siam lost judicial and fiscal autonomy (Syamananda, 1981). Further, Siam was coerced into opening its borders to
international trade. As the result, Western trading companies began to gain control of more of the trading and commercial activities and the government’s revenue from monopolies and other state activities in the economy was cut. The royal trading companies soon lost their monopoly status in exchange for peace with Western colonial powers and the nominal retention of national sovereignty (Jumsai, 1991). The resulting cut in state revenue reduced the funds available for Siam’s state-sponsored infrastructure projects that would have stimulated more rapid economic development.

Thus, in this first period of SOE establishment under absolute monarchy (1868 –1932), Siam adopted a policy to establish SOEs to protect its sovereignty and to survive the expansionary period of Western colonial power. There were push and pull factors in Siam’s modernisation during the reign of Rama V, King Chulalongkorn (1868 –1910) of the Chakri Dynasty. The push factors were the pressure from Western colonial powers that forced Siam to transform into a nation state and to establish many of the institutions common among Western states such as judiciary, police and various government bureaucracies. Western powers required these institutions for effective communication and the transfer of resources through international trade. This involved a mixture of direct and indirect coercive policy transfer. The threat from Western colonial powers, who were busy occupying various neighbours of Siam (e.g. India, Burma, Malaya, Cambodia, Laos and Vietnam), acted directly to coerce Siam into signing treaties that ceded territory and privileged foreigners. The threat of colonisation also compelled Siam to modernise, and thereby strengthen its defences.

The pull factors for modernisation and other forms of policy transfer during the reign of Rama V were the desire to consolidate and centralise power. Siamese kings constantly struggled with recalcitrant regional lords that wished to secede, and achieve independent sovereignty. Rama V believed that modernisation would give him more efficient and effective techniques for governing Siam, and thus established many basic public utility enterprises during his reign. Siam deployed a strategic international relations policy to deal with the competing colonial powers of France and Britain. Wyatt (1982) refers to the important relationship between national reform and national sovereignty. Under threats of direct military action and other oppressive sanctions from 1887 to 1909, Rama V was obliged to sign treaties that ceded large territories to France and Britain. In the same period, Siam also cultivated good relationships with colonial powers while adopting ‘modern’ public policy. Examples of SOEs established in this period include the Telegraph Department (1883) and
Chapter 4  

57

the Railway Department (1896). The most profitable SOEs were those that were involved in liquor production, the opium trade and gambling.

Rama V also launched notable public finance reforms that prevented the country from insolvency (Suwanabol, 1978). There was voluntary policy transfer via the recruitment of foreign advisors from the foreign companies trading in Siam to work for the Siamese bureaucracy. Siamese people who were educated in Europe and North America also transferred policy when they returned to influential positions in which they could use their knowledge and training. Modernising Siam involved transferring methods for governance, management, technologies and business regulation. By the end of the nineteenth century, the former subsistence and self-sufficient barter economy was converted to a monetary economy dominated by European traders and Chinese compradors (Suwanabol, 1978). Newly formed SOEs were essential instruments for strengthening and developing the economy of Siam during the period of colonial expansion, and for developing national infrastructure and the economy.

Suwanabol (1978) notes that Rama VI (1910-25) established more SOEs, and for similar political reasons, than Rama V. Initially, expatriate Europeans and Americans were recruited to fill gaps in the senior management of government agencies including SOEs. Gradually, Siamese graduates returned from higher education overseas to serve in the rapidly expanding civil service and SOEs. These new SOEs included the government Savings Bank (1913), the Bangkok Waterworks (1914), and the Bangkok Electricity Plant (1923) (Suwanabol, 1978).

While European companies dominated the manufacturing sector and provided public utilities, and Chinese merchants dominated retail trading, there was also significant involvement by Siamese nationals in certain sectors, such as the Siam Commercial Bank (1904) (owned by Siamese aristocrats), a cement factory, later called the Siam Cement Co. Ltd. (1913) and large areas of irrigated farmland near Bangkok (Suwanabol, 1978).

In summary, this first period (1855–1932) witnessed significant changes to Siam’s emerging market economy with the establishment of the first modern SOEs, to develop national infrastructure and sustain national sovereignty. Colonial powers coercively transferred a range of policies, including trade policy and foreign investment policy, to Siam in this period, but a domestic desire for modernisation paved the way for voluntary policy transfer from western nations to Siam. The end of this first period is marked by the 1932 coup that ended absolute monarchy in Siam and established constitutional monarchy.
Second Period: SOE Expansion under Constitutional Monarchy and Military Expansion (1933 - 1961)

The second period is characterised by an expansion in the number and size of SOEs, more systematic development through national economic development plans, the consolidation of the importance of SOEs in national development and strong control over them by the bureaucrats and the military. SOEs and politics have always been inseparable in Thailand. Thus, in this period, most SOE boards of directors consisted of serving or retired military officers and politicians (who in many cases were also serving or retired military officers or bureaucrats). These board appointments served both to sustain strong political control over the direction of the Thai economy, and to earn revenue for politicians to sustain and to extend their political careers. As the number of SOEs grew, they began to have greater significance in the Thai economy in terms of revenue and employment.

During the second period, under both constitutional monarchy and military domination, the SOEs were used to advance the financial interests of military groups and consolidate the political power of the military ruling party. Similarly, public enterprises were established to advance the interests of politicians, who then used SOEs to amass personal wealth and maintain political power. Various despotic Thai governments legislated to prevent the formation of organised business and labour groups that may have been able to develop rival political power bases and challenge the corrupt bureaucratic polity.

Public enterprises become deeply involved in politics in such a bureaucratic polity because they are the main source of wealth and power…public enterprises are highly politicised and policy implementation has never been free from political influence (Suwanabol, 1978, p.294).

This second period was also marked by wars that impacted severely on the economic and social development of Thailand, including World War II, the Korean War and the Indochina War. For reasons of national security, the various military governments expanded both the number and size of SOEs. After World War II, with the Chinese Revolution and the Cold War (1945-75), Thailand’s leaders increasingly suspected the ethnic Chinese living in Thailand of having links with Communist China. The government had long struggled to restrain the economic dominance of ethnic Chinese and other foreigners by creating SOEs and regulating foreign owned private sector investment.
Early in 1933, Pridi Panomyong proposed an idealistic economic development plan that would have transferred most of Thailand’s industries and agricultural production from the private sector to the public sector. His bid failed, and he was forced into exile (the first of several periods in exile) for a short period (Wyatt, 1982). Had Pridi succeeded, most if not all of the Thai economy would have been converted into SOEs.

As Prime Minister, Field Marshall Pibul Songkram (1938-1942, 1942-1944 and 1948-1957) continued to promote SOEs as a major instrument of national development. In 1935, the Army participated in an SOE for the first time by setting up the Siam Paper Company. It also owned and ran a textile factory (1935), an abattoir (1937) and an oil refinery (1940) (Suwanabol, 1978). Pibul led the state to actively participate in business (Suwanabol, 1978), changed the name of the country from Siam to Thailand in 1939, justified establishing hundreds of new SOEs by citing the emergency of war, advocated nationalism and pursued a fascist form of government. In the early stages of World War II, when it seemed that the Axis powers would emerge victorious, Pibul aligned Thailand with Japan (Wyatt, 1982). World War II did however, destroy much of Thailand’s infrastructure and depressed the economy. Once the war was over, the government created SOEs to develop and stimulate the economy, build infrastructure and enhance national security, as well as ensure a sufficient supply of goods and services for consumers. Some of these new post-war SOEs included the Bangkok Mass Transit Organisation, Battery Organisation, Glass Organisation and Water Purification Organisation.

In 1939, Prime Minister Pibul established a new SOE, the Thai Rice Company, with the aim of removing the rice trade from ethnic Chinese hands (Silcock, 1967), and founded another SOE, the Thai Rice and Thai Agricultural Products Company, to export rice and agricultural products to Japan. The Pibul government also passed several pieces of legislation that ended foreign-owned monopolies, for example, the Tobacco Act 1939 which ended the British-American Tobacco Company’s dominance in Siam, and The Salt Act 1939 which required that all salt produced in Thailand must be sold to the state-owned Thai Salt Company (Suwanabol, 1978). During the Thai war with French Indochina in 1940-41 and throughout the World War II, the Thai government established more SOEs including Pisanuloke Textile (1941), Uttaradit Sugar Mill (1941), Bank of Thailand (1942), Thai Niyom Trading (1940), Samakki Chai (1941), Bangkok Dock (1943), many provincial trading companies (1940-42),
and the Thai Industrial Promotion Corporation—TIPC (a holding company). TIPC was the largest group of companies in the kingdom prior to its abolition in 1945 (Suwanabol, 1978).

After the Second World War (1945), Prime Minister Khuang Aphaiwong’s government feared that private sector firms might make excessive profits by forming oligopolies and manipulating the market for all manner of goods in a time of scarcity. To prevent this, the government nationalized the textile, tanning, sugar and other industries, and at the same time established additional SOEs such as the Music and Art Organisation to promote Thai culture and identity, and protect local content.

Khuang Aphaiwong’s government also made major adjustments to the economy’s structure. While it abolished many SOEs set up during the war, in the cause of rehabilitating Thailand after the war, the government also set up at least 10 SOEs including the Supply Organisation (1945), Rice Bureau (1945), Thailand Tobacco Monopoly (1947), State Pawn Shop Bureau (1955) War Veterans Organisation (1948) (Suwanabol, 1978). The Supply Organisation became involved in a corruption and inefficiency scandal that resulted in a no-confidence motion in the parliament. The War Veterans Organisation expanded its business empire with 28 subsidised companies, and earned millions of baht in profits. The profits not only benefited war veterans but also the leader of a coup, Phin Choonhawan, whose wealthy family had a strong influence in politics for decades. Thus, SOEs were used as a means for amassing personal wealth that in turn was spent on building and consolidating political power.

The Pibul government attempted to end ethnic Chinese domination of the manufacturing and commercial sectors by establishing hundreds of SOEs in the early 1950s. Pibul clearly stated that import-substitution industries would be created for Thailand’s selfreliance. These attempts by the government to launch a number of SOEs producing textiles, glass, chemicals, cement, iron and steel products largely failed due to incompetent management and competition from cheaper imports. Thailand’s political leaders and their close associates enjoyed the pecuniary benefits of sitting on the boards of SOEs (Riggs, 1966). Funds generated by SOEs were often used by various military groups for maintaining power and for curbing the influence of ethnic Chinese in Thailand’s commerce (Suwanabol, 1989). Suwanabol noted that SOEs set up under national legislation or Royal Decrees were the larger enterprises with regulatory power including State Railway of Thailand, the Port Authority of Thailand, and the Metropolitan Electricity Authority. Many were most established before
1953. SOEs set up under a 1953 Act were smaller and included the Zoological Organisation, Fuel Organisation and Express Transportation.

By 1950, the government owned a large number of industries including textile, sugar, rubber, tanning, pulp and paper, pharmaceuticals, commercial banking, shipping, construction, trade and all the utility companies. Pibul justified the establishment of many of these SOEs by claiming that they would create products that would be substitutes for imports, and so would strengthen self-reliance.

Although the government had already established a large number of SOEs, there was no definition of SOEs in legislation until the passing of the National Economic and Social Development Plan Act 1959 and the Budgetary Procedure Act 1959. The definition of SOEs was consistent in both Acts. The National Economic and Social Development Plan Act 1959 defines SOEs as an operation with 50 percent to 100 percent shares held by the government. Under the definition of the 1959 Budgetary Procedure Act, some SOEs were established in the national interest.

In summary, this second period (1933-1960) witnessed the use of SOEs primarily to build infrastructure and to enhance national security. The SOEs and politics became inseparable. Former nationalist Prime Minister Pibul Songkram was particularly keen to restrict Chinese business activity and used SOEs to control ethnic Chinese involvement in the Thai economy after the World War II. SOEs in manufacturing were set up to serve both political and commercial interests under successful military regimes. Thailand also used SOEs to strategically develop infrastructure and thus contribute to curbing communist expansion during the Cold War era. By the end of this period there was also a formal legal definition to delineate SOEs.

**Third Period: Establishment of SOEs in Parallel with Development of Privatisation (1961 - 1997)**

The third period witnessed the first official privatisation attempt in Thai history in the 1960s when Thailand adopted the World Bank’s economic strategy for initiating private involvement in industry and trade. In 1961, its first National Economic and Social
Chapter 4 State-Owned Enterprises and Privatisation in Thailand: An Account of Policies and Reforms

Development Plan (NESDP), the government ruled out direct competition with the private sector:

[the Government will] promote private sector investment in the industrial sector…
the Government will not operate new transaction that will compete with the private sector. As for the existing SOEs, the Government will further increase the usefulness of their operation. (Office of the National Economic and Social Development Board, 2004)

The Thai Ministry of Finance declared that Thailand first developed privatisation and encouraged private sector participation in 1961 as mentioned in the first National Economic and Social Development Plan (NESDP) (Ministry of Finance, Government of Thailand, 2001b), and that it has been part of subsequent national plans.

This period is characterised by the parallel promotion of SOEs and of the private sector and by privatisation coming onto the government’s policy agenda. And, the period saw gains in the strength and influence of both international and domestic supporters of privatisation policy, which resulted in a steady increase of privatisation. Despite the increased strength of the private sector, some bureaucrats were still able to mobilise allies to prevent major private sector encroachment into SOE territory. SOE employees were particularly willing to aid the bureaucrats in this political campaign. The analysis of academics concerning the ‘bureaucratic polity’ between 1930s and 1980s supports the notion that elements of the Thai bureaucracy blocked significant attempts at reforming SOEs (Riggs, 1966, Laothamatas, 1992, Morell and Samudavanija, 1981, Bowornwathana, 1995). In comparison with mainstream government officers, SOE employees at that time earned higher salaries and bonuses and enjoyed relatively stable employment compared with their private sector counterparts. There were strategic reasons to retain government control over SOEs, especially those that were sensitive to national security and provided essential public goods to the people such as water, power and telecommunications.

In general, the public was supportive of many SOEs and their roles to provide affordable nationwide services particularly those of utilities, transportation and telecommunications. The provision of these services and their establishment nationwide was underpinned by World Bank and Asian Development Bank (ADB) loans. The extension of communication and mass media services, including TV, into remote villages was important in the fight against communism during the Cold War period, and assisted nation building based on a capitalist market economy. The government used the NESDPs to encourage greater involvement of the
private sector in the Thai economy both as a means to generate economic growth and as a means to reduce government expenditure.

In the 1960s, Thailand adopted the idea of using SOEs as a means to develop infrastructure, as mentioned in the first and the second NESDPs (Office of the National Economic and Social Development Board, 2004). This fitted with the World Bank and US influenced economic strategy of encouraging the expansion of industry and national infrastructure. In this tense period of the Cold War the US granted enormous amounts of military and economic aid to Thailand to promote it as a bulwark against the spread of communism (Wilson, 1962). Table 4:1 shows the large sums of military and economic aid provided to Thailand by the US between 1958 and 1967, some of this aid was used by the SOEs to expand infrastructure.

Table 4.1 United States Economic and Military Assistance to Thailand, 1958 – 1967 (US$ millions)

<table>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>25.9</td>
<td>58.9</td>
<td>24.9</td>
<td>24.3</td>
<td>47.6</td>
<td>21.9</td>
<td>15.1</td>
<td>41.4</td>
<td>60.4</td>
<td>37.0</td>
<td>357.4</td>
</tr>
<tr>
<td>Military</td>
<td>19.7</td>
<td>18.0</td>
<td>24.7</td>
<td>49.0</td>
<td>88.0</td>
<td>71.8</td>
<td>35.2</td>
<td>30.8</td>
<td>42.3</td>
<td>59.0</td>
<td>438.5</td>
</tr>
</tbody>
</table>

Source: *Wyatt, 1982, p.284*

The World Bank also commenced providing large soft loans to support infrastructure development in Thailand. The initial relationship between Thailand and the World Bank was ‘primarily a borrower-lender relationship’ (World Bank, 2004b). During this period, SOEs were set up to facilitate the World Bank-funded initiatives on infrastructure development:

Thailand joined the World Bank on May 3, 1949, and its first Bank loan was approved in October 1950. The US$25 million loan went for the completion of three projects: rebuilding the state railway lines, improving the port of Bangkok, and developing the irrigation capabilities of the Chao Phraya River, which helped spur the country’s post-war development (World Bank, 2004b).

SOEs were an important part of the Thai economy, because they produced many types of public goods and services, and many SOEs generated large profits that were an important source of government revenue. However, the Thai government, with the World Bank
guidance, started to officially recognise the positive involvement of the private sector in the Thai economy in the first NESDP (1963-1966). The government moved from a reliance on bureaucratic regulation and SOEs as the principal means for national development and security, to a new approach, encouraging de-regulation, competition and privatisation, and using proceeds from SOEs to alleviate budget deficits.

Indeed, the Thai Ministry of Finance has claimed that Thailand first developed privatisation and encouraged private sector participation in 1961 (Ministry of Finance, Government of Thailand, 2001b), and that it has been part of subsequent national plans. In later years, the World Bank and the IMF promoted the shift to export-led growth, less state intervention, opening the country to foreign investment and reducing tariffs. The NESDPs have acted as official endorsement of privatisation as a policy under different regimes. At the same time, there was an attempt to improve SOE performance by the enforcement of the Accounting and Financial Regulation of 1961 that required SOEs to be audited by the National Audit Council.

**NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PLANS**

During this third period (1961-1997), the important tool that the government used to manage the national economy was the National Economic and Social Development Plans (NESDPs). Schmidt (1998, p.65) observed that the business sector in Thailand has increasingly exerted its influence in policy in Thailand and that:

> according to World Bank documents, even the first national plan was designed to implement ‘market-based industrialisation strategy’. This is not only a matter of timing but a conscious attempt by the state to support the domestic private sector because “the Thai state has sought to promote the interest of the most ‘progressive’ capitalist forces…:

Despite the increasing importance of the private sector, the SOEs still occupied an important place in the economy and were championed by powerful bureaucratic interests and their allies. At least at first, the NESDPs did not so much challenge the primary role of SOEs as public service providers, but rather encouraged private sector development to produce economic growth and employment. The NESDPs did not however, rule out participation of and competition from the government, especially in those sectors where public involvement was required for national security and the general wellbeing of the people. This section discusses the first five NESDPs to demonstrate the development of privatisation doctrine brought to
Thailand from international organisation like the World Bank that can be regarded as voluntary policy transfer before the shock of the Asian Financial Crisis in 1997.

**The First NESDP (1961-1966)**

As mentioned earlier, the 1960s can be seen as a turning point in economic policy and SOEs for Thailand. Some SOEs were established in priority areas but the responsibility for economic growth was increasingly allocated to the private sector, both in new ventures and in some forms of privatisation. In 1959, the World Bank influenced Thailand's first two Five-Year Development Plans to focus on infrastructural development including using SOEs (Office of the National Economic and Social Development Board, 1996). The government increased the role of the private sector, a role that had begun during the administrations of Prime Ministers Thanom Kittikachorn (1958 and 1963-1972) (later on Tourism Authority of Thailand) in 1959 and Thai Airways International Company in 1960. SOEs established during the Thanom regime (1958 and 1963-1972) include the Krung Thai Bank (1966), Pharmaceutical Organisation (1966), Thai Airways Aircraft Maintenance (1967) and Chemical Fertiliser (1966). Many other SOEs were abolished, sold or corporatised. Corporatisation entailed the transformation of a public enterprise into a company recognised by law as a single body with its own powers and liabilities separated from those of the individual members.

**The Second NESDP (1967-1971)**

The second NESDP (1967-1971) established that SOEs would not compete with the private sector in the industries in which the private sector was more efficient. It stated that if such industries and trade required joint ventures with the government, the latter should hold less than 50 percent of the shares (Office of the National Economic and Social Development Board, 2004). The government also promoted private investment and reduced many government subsidies that benefited SOEs, although it retained subsidies for some SOEs that were expanding the availability of desired goods and services that were judged to be in the public interest. However, the government still used SOEs to serve its socio-economic and political interests: by 1970, there were 108 SOEs with operating capital valued at 9,000 million baht (excluding banks that had the government as a major share holder).
While promoting the private sector, the government also ensured that some SOEs and their areas of operation remained firmly under government control. The government classified the public utilities SOEs, including the electricity, water, telephone, and transport, as those with the greatest importance for national social and economic development. Some SOEs were major generators of profit. They included the lottery, tobacco, express transport, mass transportation and the Tourism Authority. SOEs contributed significantly to the national budget: 9,800 million baht (17 percent) out of the total budget of 57,500 million baht. Forty percent of the investment funds, amounting to 4,000 million baht, were generated by the SOEs themselves (Office of the National Economic and Social Development Board, 2004).

The second NESDP estimated that the SOEs would generate an income of 42,500 million baht and net profit of 8,300 million baht. The plan intended that this profit would be used for economic development projects totalling about 4,000 million baht and would return 3,400 baht to the government treasury. The source of funds and profit distribution of different sectors of SOEs during the second NESDP are summarized in Table 4.2:

<table>
<thead>
<tr>
<th>Source/ Sector</th>
<th>Agriculture</th>
<th>Industry and health</th>
<th>Transportation</th>
<th>Energy</th>
<th>Commercial and service</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment capital</td>
<td>465.89</td>
<td>278.05</td>
<td>4,842.24</td>
<td>4,272.16</td>
<td>-</td>
<td>9,858.34</td>
</tr>
<tr>
<td>SOE revenue</td>
<td>400.00</td>
<td>183.36</td>
<td>2,458.77</td>
<td>-</td>
<td>-</td>
<td>4,046.51</td>
</tr>
<tr>
<td>National budget</td>
<td>65.89</td>
<td>94.69</td>
<td>673.47</td>
<td>1,142.28</td>
<td>-</td>
<td>1,976.33</td>
</tr>
<tr>
<td>Domestic loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign investment and aid</td>
<td>-</td>
<td>-</td>
<td>1,710.00</td>
<td>2,125.50</td>
<td>-</td>
<td>3,835.50</td>
</tr>
<tr>
<td>Total</td>
<td>465.89</td>
<td>278.05</td>
<td>4,842.24</td>
<td>4,272.16</td>
<td>-</td>
<td>9,858.34</td>
</tr>
<tr>
<td>Estimate net profit</td>
<td>687.80</td>
<td>3,966.60</td>
<td>1,562.70</td>
<td>2,080.40</td>
<td>15.50</td>
<td>8,313.00</td>
</tr>
</tbody>
</table>

Source: *Office of the National Economic and Social Development Board, 2004.*
The Third NESDP (1972-1976)

Under the third NESDP (1972-1976), the government further increased the importance of the private sector in national development, to the point where private investment grew to 66 percent of the total investment of SOEs in 1972-1976. In this plan, the government expected that private investment would increase by 7.3 percent, to 131,000 million baht, up from 92,000 million baht in the second NESDP. The source of private investment in SOEs is shown below:

Table 4.3 Source of private investment in SOEs during the third NESDP

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (million baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic legal entity and private sector</td>
<td>96,700</td>
</tr>
<tr>
<td>International source</td>
<td>13,850</td>
</tr>
<tr>
<td>Financial institute</td>
<td>20,450</td>
</tr>
<tr>
<td>Total</td>
<td>131,000</td>
</tr>
</tbody>
</table>


The third period witnessed the increasing popularity of privatisation. Under this third NESDP, the number of SOEs was decreased to 80 from 108. Of these, the government was sole shareholder of 49, and held more than 50 percent of shares in the remaining 31 SOEs. The 80 SOEs can be classified under four categories, on the basis of the nature of their formation. 1) 15 SOEs were set up under exclusive acts, including the State Railway of Thailand, Port Authority of Thailand, Electricity Generating Authority of Thailand and Telephone Organisation of Thailand. They were each required to prepare an annual budget. 2) 19 SOEs were set up by Royal Decree, including the Expressway and Rapid Transit Authority of Thailand, Forest Industry Organisation and Rubber Estate Organisation. 3) 27 SOEs were set up as limited company legal entities, including the former Television Company and the former Thai Airways Company as examples of SOEs with 100 percent shares owned by the government, Aeronautical Radio of Thailand, the former Thai Hotels Association for Tourists and Thai Airways International as examples of SOEs with more than 50 percent government share. 4) 19 SOEs that were set up in accordance with a cabinet resolution, and had no legal status, but were under the control and supervision of the several ministries in charge of SOEs.
These SOEs include the Lottery Office and the Thailand Tobacco Organisation. All SOEs were subject to many government rules, regulations and Acts, including the *SOEs Accounting and Finance Acts 1961 and 1964* and the *SOEs Investment Capital Act*, which attempted to ensure accountability but at the same time created red tape in business operations. Their budgets and annual investment funds had to be submitted in advance for the approval of the NESDB, subject to the government approval.

The Third NESDP (1972-1976) also mentioned that ‘state enterprises are those business activities undertaken by the government to help accelerate national economic and social development’ (Truong, 1976, pp.267-268). The Third NESDP was developed when Thailand faced low export prices, low economic growth rates, a high inflation rate and the oil crisis. The Third NESDP concentrated on completing a wide range of infrastructure projects. In the late 1970s, two-thirds of total government investment was spent on expanding and improving infrastructure for SOEs such as electricity generation and distribution, and building telecommunications networks. The aim of this large investment was to increase economic growth and social development. Despite a national framework promoting privatisation, SOEs still played a significant role in the economy, and were focal points for considerable investment. The shift to export orientation in the 1970s reflected ‘the increased influence of big capital within the Thai political economy’ (Hewison, 1987, p.57). In 1973, there were 78 SOEs with paid up capital of 32,270.42 million baht or double the national budget, and their total asset value was more than 110,000 million or 80 percent of the GDP (Suwanabol, 1978, p.310). SOEs employed 250,000 people or about half the public servants, including those in the provincial administration.

Prime Minister Kukrit Pramote (1975-76) proposed listing selected public enterprises on the stock market. Although Pramote adopted a pro-privatisation policy, his administration saw the establishment of three significant new SOEs: the Bangkok Mass Transit Authority, the Offshore Mining Organisation and the Agricultural Marketing Organisation (Bangkok Mass Transit Authority, 2004). Two more were established by his successor. In general, SOEs played crucial roles in the Thai economy during the third NESDP. Early attempts to privatise faced obstacles, were complicated by constraints including legal issues, public preference for the government as the public service provider, and the fact that the SOEs were an important source of government revenue.
The Fourth NESDP (1977-1981)

Under the fourth NESDP (1977-1981), the number and classification of the SOEs were similar to the third plan. During the leadership of Prime Minister Kriangsak (1977-1980), the fourth NESDP continued network expansion in roads, electricity, water and telecommunications (Office of the National Economic and Social Development Board, 2004). However, this infrastructure expansion was concentrated in urban rather than rural areas. The fourth NESDP mentioned the necessity to set up new SOEs to establish basic infrastructure to serve all the people at reasonable prices, but without directly competing with the private sector. The government attached higher importance to economic development than mere economic growth, and thus took into account social benefits and equity issues.

In the 1980s, privatisation became more widespread with the active support of free market advocates, such as Prime Minister Margaret Thatcher and President Ronald Reagan. Thai policy followed the privatisation ‘bandwagon’ in what Hood described as a global policy boom (Hood, 1994). Under the third and fourth NESDPs, between 1967 and 1981, various Thai Prime Ministers attempted to partially privatise some SOEs. Although Thailand introduced privatisation in the first NESDB plan (1961-1966), the actual implementation of privatisation only started in earnest in 1981 at the end of the fourth plan. This was soon after Prime Minister Margaret Thatcher started implementing privatisation in the United Kingdom.

The government of General Prem Tinsulanonda (1980–88) introduced the first deregulation and private participation in several limited sectors that were previously exclusive to SOEs. Under the leadership of Prem, Western-educated technocrats, who admired the pro-privatisation policies of Prime Minister Margaret Thatcher and President Ronald Reagan, flourished in the Bank of Thailand, the NESDB and the Ministry of Finance and assumed influential positions in these organisations (Savoie, 1994). This is an example of how an international education network can influence policy transfer.

Despite declaring a commitment to privatisation and deregulation, the government, on the other hand, still continued to support SOEs that needed large investments to maintain operations and provided benefits to the nation. But the Prem government attempted not to establish any new SOEs in the industries that it believed the private sector could handle more efficiently. Moreover, the government stressed that it would not support existing SOEs wishing to compete directly with private sector counterparts except in instances where they
built infrastructure and supported national security. Prem succeeded in privatising some unprofitable SOEs and established the fundamentals for Thailand’s rapid economic growth in the 1980s and 1990s.

Whilst the government adopted privatisation as a national policy, it still lacked robust support from the bureaucracy and the public for radical changes. (Mishra and Ravishankar, 1986). After all, SOEs generated substantial profits and revenues for the nation. Mishra and Ravishankar (1986) examined and assessed the role of SOEs in the Thai economy, by using available data on the revenue, assets, profits and employment of the SOEs in 1981-83. These data (see Table 4:4) demonstrated the prominent and significant role that SOEs were playing in the Thai economy by generating revenue and creating employment. The public enterprise system had been able to provide about 5 per cent of the total government revenue annually. They also found that the profits of SOEs increased to 10,137 million baht in 1981 (Mishra and Ravishankar, 1986). This was an increase of more than three times, when compared to 3,503 million baht in 1977 as recorded by Suwanabol (1978).

Table 4.4 SOEs Revenue (1981-1983)

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>Revenue Million Baht</th>
<th>Expenditure Million Baht</th>
<th>Net Profit Million Baht</th>
<th>SOEs Revenue submitted to the budget Million Baht</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>105,993</td>
<td>94,956</td>
<td>10,137</td>
<td>6,255</td>
</tr>
<tr>
<td>1982</td>
<td>151,857</td>
<td>138,800</td>
<td>13,057</td>
<td>4,857</td>
</tr>
<tr>
<td>1983</td>
<td>113,726</td>
<td>105,757</td>
<td>7,969</td>
<td>6,224</td>
</tr>
</tbody>
</table>


In 1981-1983, SOEs employed between 216,470 and 241,031 people, around 9 percent of the total formal employment. The SOE employment was predominantly urban, especially in Bangkok. The SOE employees’ salary scale was higher than that of ministry bureaucrats, in addition to other fringe benefits received by SOE employees. While their job prospects before privatisation were regarded as being as secure as those of bureaucrats, the SOE package came with substantial benefits.
Table 4.5 SOE Employment 1981-1983

<table>
<thead>
<tr>
<th>Sector</th>
<th>1981</th>
<th>1982</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employment</td>
<td>216,470</td>
<td>229,559</td>
<td>241,031</td>
</tr>
</tbody>
</table>

Source: *Office of the National Economic and Social Development Board, 1991, p9.*

In summary, the first four NESDPs (1963-81) stated that the government would limit expansion of the public sector, and restrain itself from intervening in the free market economy. There was a major expansion of the private sector, but at the same time a high level of public support both for government infrastructure, and also for public enterprise involvement in strategic areas (such as the lottery) to gain monopolised government revenue.

**The Fifth NESDP (1982-1986)**

The fifth NESDP (1982-1986) adopted a set of privatisation policies from the Council of Ministers in October 1983. The fifth and sixth NESDPs (1982-1991) changed the nature of infrastructure development from heavy reliance on government investment to private sector participation:

…private sector became more involved in the development process due to the tremendous amount of capital investment required for infrastructure development, which was a result of the economic boom with annual growth of 13 per cent in 1988. (The Office of the National Economic and Social Development Board, 1996, p11).

The fifth Plan (1982-1986) emphasised free trade and market liberalisation (Bell, 1996) and specified a policy of privatisation. This would begin with the establishment by the government of an organisation to supervise the performance of public enterprises. The government would nominate a specific period for a SOE to improve its performance, while maintaining the option of closing down, privatising or selling SOEs that were performing poorly. The government could restructure the SOEs into a limited company or public company, sell a part of its shares to private entrepreneurs, or allow private entrepreneurs to participate in the management of such an enterprise, with government supervising its policy. However, the government declared it would maintain public enterprises that could benefit the
public livelihood. Mithani and Watcharaphan (2000) showed that the ratio of capital investment of private sector to central government went up from 32.5 percent in 1970 to 86.8 percent in 1983 and jumped to 171 percent in 1985. This clearly demonstrates that the capital investment of private sector had expanded much faster than that of the central government’s spending over the years and had become a much greater amount in absolute terms.

On 6 March 1984, the cabinet passed a decision concerning the policy of privatisation through sub-contracting or joint venture in some activities of the public utility SOEs. Ministries that had SOEs under their supervision could submit proposals to Cabinet recommending closure or sale of their SOEs. After the devaluation of the Thai currency in 1985, the Ministry responsible for economic affairs adopted a policy concerning SOEs on 4 February 1985. It confirmed the government’s policy of privatisation through lease, selling out or closing down which may be implemented in the case of a particular SOE after due consideration. It also recommended that every ministry that supervised SOEs should propose the way in which each SOE might secure private sector involvement either by selling its shares, concession or allowing private businesses to take part in its activities or joint venture. Furthermore, the Ministry of Finance should consider selling the government’s shares in private firms. In the period covered by the fifth NESDP (1982-1986), 33 SOEs were closed down, 26 were sold, 7 were leased or managed by private enterprises and 3 were subcontracted.

The Sixth NESDP (1987-1991)

During the sixth NESDP (1987-1991), Thailand experienced an inadequate supply of basic infrastructure, despite a more than double increase in planned public investment to 344,000 million baht. The plan encouraged more privatisation as the means to solve the infrastructure bottleneck problem. For example, there were 1 million people on the telephone waiting list despite 1.8 million telephone lines having been supplied during the previous plan. Even then, there was only 1 telephone line per 1000 people compared with the average of 9 lines per 1000 population in other ASEAN countries.

Three strategies of privatisation were specified in the sixth plan: the introduction of business-oriented management into public enterprise administration, private sector participation in public enterprises and transfer of ownership. The privatisation programme for state enterprises, through corporatisation, public listing or the grant of infrastructure concessions to the private sector, was launched in 1987-88 (Handley, 1997). The sixth NESDP, developed
during a period of particularly high economic growth, spelt out privatisation policy in terms of:

- encouraging the government to invest in private sector projects; leasing or franchising (partly or wholly) manufacturing or infrastructure-related public enterprises to the private sector to carry out their operations; liquidating or selling to private sector those state enterprises that have continually failed in their operations; the government retaining the revenue-generating and social-welfare oriented state enterprises; and the government expanding the role of the public sector in heavy industry projects that involved huge finance and high technology (Mithani and Watcharaphan, 2000).

Prime Minister Chatichai Choonhavan (1988-91) initiated and implemented the sixth plan. Thailand’s economy expanded rapidly during this period, and GDP grew as high as 13 percent per year (ASEAN Free Trade Area, 1996). The SOEs, the largest recipients of government capital investment, were seen as inefficient. This provided a powerful additional incentive for privatisation. The strong and relatively well-organised SOE unions lobbied Chatichai, but failed to stop the government’s SOE privatisation plans (Brown, 1997). On 10 September 1991, the office of the NESDB submitted a ‘white cover paper’ to the Cabinet to serve as a framework and a master guideline for increasing the role of the private sector in every SOE for privatisation. Also in 1991, the Ministry of Finance, SOEs Division was upgraded to Office of SOEs (equivalent to a department). All these policy initiatives were made at a time when the role of the private sector in the Thai economy was increasing significantly. Between 1984-1995, during the Sixth Plan, average annual Thai economic growth was 8.5 percent, with the highest growth rate of 13.2 percent occurring in 1988 (Fry, 2003).

At the same time, more policy attention was directed to private sector corporate governance. Sussangkarn (1998) revealed that in 1990 the private sector generated most of the debt and lacked discipline in debt creation. By contrast, he claimed that the Thai public sector had very effective management systems to control the size and maturity structure of public sector debt:

The large amount of capital inflows led to rapid growth in the country’s outstanding external debt. The total outstanding external debt rose from 28.8 billion US$ in 1990 (33.8 percent of GDP) to 94.3 billion US$ at the end of 1996 (50.9 percent of GDP); almost all of the increase in debt was generated by the private sector, as the Government budget was in surplus every year in the first half of the 1990s…(Sussangkarn, 1998)

At the end of the Sixth Plan, Thailand witnessed the decline of the relative dominance of the military in Thai politics. After the fall of General Suchinda Krapayoon and the appointment
of Anand Panyarachun as Prime Minister (1991-92), the military-bureaucratic hold on power was loosened permanently (Niyomsilpa, 2000).

### The Seventh NESDP (1992-1996)

The Seventh NESDP (1992-1996) aimed to prepare the country for full participation in the global economy, especially looking for improvements in the efficiency of SOEs through reforms to make their management and organisation more flexible. During Chuan Leekpai’s (1992-95) first period as Prime Minister, Thailand increased its openness to international trade by progressively liberalising its economy. Whereas the objectives of earlier NESDPs focussed on economic growth and stability, the seventh NESDP targeted the improvement of income distribution (Schmidt, 1996).

The Seventh NESDP emphasised the importance of basic infrastructure, and recognised the importance of financing by the public sector. There was growing investment in SOEs in the energy sector, particularly from private sources. The plan mentioned government deregulation and elimination of red-tape to increase SOE efficiency, and also encouraged the conversion of the SOEs into public corporations, contracting out initial public offerings and direct sales of shares to SOE employees. It mentioned the importance of SOEs’ corporate strategic plans, joint ventures with the private sector, adequate provision of services to people with low incomes, and environmental concerns. The Seventh NESDP also introduced a performance evaluation system to improve the efficiency of the SOEs.

In 1996, General Chavalit Yongchaiyudh (1996-97) became Prime Minister, and Thailand experienced considerable economic misfortune as a result of the 1997 Asian Financial Crisis. By the end of the Seventh NESDP in 1996, while some privatisation had been undertaken, it was small compared to the numbers of SOEs still playing an important role in the economy. However, SOEs in Thailand, largely due to private sector growth, now contributed less than 2 percent of the total employment (about 300,000 workers, see Table 4:6), and provided around 2 per cent of Thai government net revenue.

### Table 4.6 1997 Employment of Top Ten SOEs

<table>
<thead>
<tr>
<th>Ten Largest State-Owned Enterprise Employers (by number of employees)</th>
<th>No. Employees *</th>
<th>percent of Total Thai</th>
</tr>
</thead>
</table>
### Chapter 4: State-Owned Enterprises and Privatisation in Thailand: An Account of Policies and Reforms

<table>
<thead>
<tr>
<th>Employer</th>
<th>Employment</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Electricity Generating Authority of Thailand (EGAT)</td>
<td>32,459</td>
<td></td>
</tr>
<tr>
<td>The Provincial Electricity Authority (PEA)</td>
<td>30,619</td>
<td></td>
</tr>
<tr>
<td>Telephone Organisation of Thailand (TOT)</td>
<td>26,383</td>
<td></td>
</tr>
<tr>
<td>The Communications Authority of Thailand (CAT)</td>
<td>26,346</td>
<td></td>
</tr>
<tr>
<td>Thai Airways International Co., Ltd. (TG)</td>
<td>24,070</td>
<td></td>
</tr>
<tr>
<td>The Bangkok Mass Transit Authority of Thailand (BMTA)</td>
<td>22,753</td>
<td></td>
</tr>
<tr>
<td>The State Railway of Thailand (SRT)</td>
<td>21,160</td>
<td></td>
</tr>
<tr>
<td>Krung Thai Bank (KTB)</td>
<td>16,252</td>
<td></td>
</tr>
<tr>
<td>Bank for Agriculture and Agricultural Cooperatives</td>
<td>13,299</td>
<td></td>
</tr>
<tr>
<td>The Metropolitan Electricity Authority (MEA)</td>
<td>12,813</td>
<td></td>
</tr>
<tr>
<td>Total Top 10 SOE Employers</td>
<td>226,154</td>
<td></td>
</tr>
<tr>
<td>Total SOE employment</td>
<td>319,731</td>
<td></td>
</tr>
<tr>
<td>National employment</td>
<td>30,820,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**Note: (*) includes number of temporary workers**

Source: *Ministry of Finance, Government of Thailand, 1998a*

### FOURTH PERIOD: PEAK PRIVATISATION IMPLEMENTATION (1998 - 2005)

Two major factors at the start of this period gave particularly strong impetus to the process of privatisation in Thailand. The first was the Asian Financial Crisis of 1997. This hit Thailand particularly hard, resulting in unemployment, the collapse of businesses, a shortage of capital and reduced economic growth.

Responding to the financial crisis, Thailand opened up policy space and allowed radical policy initiatives. According to Pisitkasem (1998), in the two decades prior to the financial
crisis Thailand was reluctant to privatise SOEs that earned profits. For nearly 40 years, under the influence of the World Bank and the IMF, Thailand included SOE privatisation in its five-year NESDPs. Even so, little real progress in privatisation was actually achieved. As a result of the 1997 Asian Financial Crisis, the Thai government accelerated the privatisation programme, awarded it a higher profile than ever before, and agreed to review and improve the legal framework for private sector participation in the economy, including the law on corporatisation (Pisitkasem, 1998).

The second impetus for privatisation in this period was the adoption of a new constitution in October 1997 that, for the first time, included guidelines for state involvement in the commercial sector. It supported privatisation in Thailand by requiring the amendment or repeal of many existing laws concerning financial regulation and governance, and by incorporating privatisation as a national policy:

**Section 87.** The state shall encourage a free economic system through market force, ensure and supervise fair competition, protect consumers, and prevent direct and indirect monopolies, repeal and refrain from enacting laws and regulations controlling businesses which do not correspond with the economic necessity, and shall not engage in an enterprise in competition with the private sector unless it is necessary for the purpose of maintaining the security of the state, preserving the common interest, or providing public utilities. (Royal Thai Government, 1997a)

This constitution regards the primary roles of the state (the Thai government) to be legislator, policy-maker and regulator, but not operator in the commercial sector, except in specific enterprises that may be strategic, socially obligatory, or necessary to guarantee the quality of life of the population or in enterprises that are not commercially viable. The state may also retain an interest in certain essential enterprises, where the government can exercise veto power over significant issues.

The Chuan government in its second term (1997-2001) began to address administrative and governance reforms, including those for SOEs. In addition to reforms already required by the 1997 Constitution, the IMF imposed further reforms such as privatisation, to signify Thailand’s commitment to market liberalisation. An instrument that was used as a medium of this policy transfer process was the Thai government’s eight letters of intent to the IMF. These letters of intent describe government policies that Thailand planned to implement in the context of its request for financial support from the IMF.
The Eighth NESDP (1997-2001)

The letters of intent were developed during the eighth NESDP (1997-2001). As a condition for IMF financial assistance to recover from the 1997 Financial Crisis, the Thai government became more strongly committed to implementing privatisation. Additionally, a privatisation framework was set up through the NESDPs by the World Bank. These policy commitments flagged an increased role for the private sector in the economy. The assumption of the letters of intent was that the strength of the private sector was the benchmark for economic performance. Pressured by the IMF, the Thai government set a path for increasing the role of the private sector in industrial and agricultural sectors in the eighth NESDP, and also supported the transformation of SOEs into corporations and, eventually, public companies.

The First Letter of Intent

To the first Letter of Intent to the IMF (co-signed by Mr Thanong Biyada, Minister of Finance, and Mr Chaiyawat Wibulswasdi, Governor of the Bank of Thailand, on 14 August 1997), the Thai government attached a Memorandum of Economic Policies that agreed to increase private participation in key commercial and infrastructure sectors (Royal Thai Government, 1997c). The government also set up a systematic privatisation timeframe including a medium-term framework for target areas such as transport, energy, communications and utilities. There were many different types of privatisation methods proposed, including build-operate-transfer (BOT), corporatisation, divestiture, direct sale, and joint venture. The IMF role in privatisation, together with that of the World Bank and Asian Development Bank (ADB), was specifically stated:

All proceeds resulting from privatization and divestiture will accrue in a special blocked account and would not be used for normal budgetary operations. Modalities for the use of these proceeds will be developed in close consultation with IMF staff, and it is envisaged that they could be available to meet financial or state enterprise restructuring costs.

... and seeking private sector participation in the investment programs of selected enterprises (including a number of expressway and power-generation projects). A review of the public sector investment program will be undertaken expeditiously in consultation with the World Bank and the ADB (Asian Development Bank). (Royal Thai Government, 1997c)
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The Second Letter of Intent

In subsequent letters of intent, the government repeated its commitment to reform the SOE sector (Royal Thai Government, 1998d). The second Letter of Intent was issued on 25 November 1997 and in section four on ‘Privatization, Social Services, and Legal Framework’, the government reiterated its intention to implement privatisation policy in key sectors (Royal Thai Government, 1997d). Legal reforms were emphasized, and the immediate privatisation targets became the corporatisation of Thai International Airline and the Bangchak Petroleum Company.

The Third Letter of Intent

In the third Letter of Intent (co-signed on 24 February 1998 by Tarrin Nimmanahaeminda, Minister of Finance, and Chaiyawat Wibulswasdi, Governor, Bank of Thailand) the government encouraged foreign investment (Royal Thai Government, 1998a). Under the Memorandum on Economic Policies of the Royal Thai government attached to this letter, the government explained its intention ‘to accelerate privatization as part of the restructuring of Thailand’s economy’ through a privatisation programme set up within a regulatory framework. This systematic privatisation programme targeted important and profitable SOEs, including Thai Airways International, EGAT, TOT and CAT. The fact that progress in privatising these important Thai SOEs actually began indicates that the international financial organisations were able to transfer policy. Thailand subsequently generated its own reforms including legislative reform and a new regulatory framework.

The Fourth Letter of Intent

Tarrin Nimmanahaeminda, Minister of Finance and M. R. Chatu Mongol Sonakul, the Bank of Thailand Governor, signed the fourth Letter of Intent on 26 May 1998 (Royal Thai Government, 1998b). In this Letter, the Thai government set out a concrete and specific agenda for privatisation, including:

- establish regulatory capacity with cabinet approval;
set up a timeframe and stages for the corporatisation and divestiture of selected SOEs responsible for energy, telecommunications, water and railways

establish divestiture strategy for selected SOEs through ‘full or partial privatization through joint ventures, private placements or public offers.

The Office of State Enterprises was established to coordinate and manage privatisation under a single agency. Formerly, various ministries with SOEs under their portfolios took care of privatisation processes individually and separately. The government took action for improved monitoring of the remaining state enterprises by passing necessary legislation including a Corporatisation Law and Privatisation Law which established a legal framework for privatisation.

The Fifth Letter of Intent

The fifth Letter of Intent was signed on 25 August 1998 upon the first anniversary of the inauguration of Prime Minister Chuan’s government (Royal Thai Government, 1998c). The government gave a commitment to open the Thai economy to further investment in order to increase liquidity flows and advice from international experts. To facilitate this change, the government converted the restrictive Alien Business Law to a more liberal Foreign Investment Law. The Foreign Ownership of Real Property (Land Code and Condominiums Act) was passed to support foreign investment in real estate.

1998 was a significant year for privatisation, as the Ministry of Finance (assisted by the World Bank) drew up a Master Plan for State Enterprise Reform (or the Privatisation Master Plan, PMP) (Royal Thai Government, 1998c), outlining the objectives and 8-year timetable for the reform programme. It also classified 59 SOEs under 5 main ministries covering 5 sectors: telecommunications, energy, transportation, water and others (industrial, commercial, agricultural, social and research). The government regarded the Master Plan as a strategic document, that determined the direction and timing for implementing privatisation policy, and described steps towards the increasing role of the private sector in SOEs.

The government also established the State Enterprise Policy Commission under the Office of State Enterprise and publicly announced Sectoral Plans in telecommunications, energy,
transport and water. There was progress in privatisation including the sale of EGAT’s stake in the Electricity Generating (Public) Co. Ltd. and the sale of a significant stake in PTT Exploration and Production activities. In order to facilitate its privatisation policy, the Thai government initiated other public sector reforms. The MOF separated the functions of policy maker, regulator and operator in 1998, developing a more systematic and centralised government regulatory structure for SOEs in which the Cabinet became the highest decision-making body for SOE policy and management. In the past various ministries had separately controlled different SOEs.

The 1998 PMP also took social benefits into consideration, noting that 50 percent of the income from privatisation would be used for social services, while 50 percent would be utilised for public loans for the Financial Institutions Development Fund.

**The Sixth Letter of Intent**

According to the 1998 Privatisation Master Plan (PMP), Thai privatisation required an increasing role for the private sector in those parts of the economy previously only occupied by SOEs, and the sale of the assets or shares (i.e. transfer of ownership), concession, leasing and deregulation with a view to promoting a more deregulated and competitive market. The Thai government used the PMP to promote liberal competition through privatisation for the period 2003-2006. The Sixth Letter of Intent described this period as the liberal market period in Thailand. The PMP also suggested developing an investment plan to encourage private investment, and focused on the reform of major sectors of the economy including telecommunications, water and transportation.

The Thai government nominated Thailand’s large and profitable SOEs (including those in telecommunications, transport and energy) as fast track privatisation candidates (Table 4.7). The telecommunication sector played a leading role in privatisation with the Telecommunications Master Plan emerging in 1997, 4 years before the overall PMP. This early planning is one of the reasons that privatisation of the Thai telecommunication sector is used as the case study for this thesis and examined in greater detail in Chapter 6.

**Table 4.7 Key Indicators for State Enterprise Sectors in 1998**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number</th>
<th>Revenue</th>
<th>Profit/loss</th>
<th>Remittance</th>
<th>Subsidy</th>
<th>Employee</th>
</tr>
</thead>
</table>

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Chapter 4 State-Owned Enterprises and Privatisation in Thailand: An Account of Policies and Reforms

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of enterprises</th>
<th>Revenue (Baht billion)</th>
<th>Profit/loss (Baht billion)</th>
<th>Remittance (Baht billion)</th>
<th>Subsidy (Baht billion)</th>
<th>Employee (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom</td>
<td>3</td>
<td>82</td>
<td>22</td>
<td>22</td>
<td>0</td>
<td>52</td>
</tr>
<tr>
<td>Water</td>
<td>3</td>
<td>14</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>13</td>
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<tr>
<td>Transport</td>
<td>14</td>
<td>154</td>
<td>7</td>
<td>4</td>
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<td>86</td>
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<td>591</td>
<td>46</td>
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<td>190</td>
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<td>1</td>
<td>0</td>
<td>44</td>
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<tr>
<td>Industrial</td>
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<td>44</td>
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<td>0</td>
<td>9</td>
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<tr>
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<td>19</td>
<td>1</td>
<td>7</td>
<td>3</td>
<td>2</td>
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<tr>
<td>Agricultural</td>
<td>8</td>
<td>10</td>
<td>-1</td>
<td>0</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Social and technology</td>
<td>8</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>1,112</td>
<td>34</td>
<td>47</td>
<td>30</td>
<td>299</td>
</tr>
</tbody>
</table>

Note:  
a) This list does not include state enterprise subsidiaries, enterprises undergoing liquidation or financial institutions temporarily under Bank of Thailand supervision.

b) Profit/loss means net profit before remittances to Government, but after losses from foreign exchange dealings and other extraordinary items.

Source: Ministry of Finance, Government of Thailand, 2003

Under the Eighth Plan, the Thai government implemented a variety of privatisation methods. For example, the government used the BTO method for the first time to grant a concession to a private company with the Express and Rapid Transit Authority of Thailand, a SOE (Nikomborirak, 2004). It was also in 1998 that the government granted concessions to private operators of fixed-line telephones using the BTO method, and to private investors to build a specific number of telephone lines for later transfer to the government.

**The Seventh Letter of Intent**

The seventh letter of intent, issued on 23 March 1999, referred to privatisation undertaken by various sectors in 1999 in accordance with the 1998 Master Plan (Royal Thai Government, 1999a). This included the divestiture of government equity in Bangchak Petroleum, the restructuring of the Natural Gas Supply Industry, the divestiture of MoF's stake in the ESSO
oil company, the privatisation of Thai Airways International, the corporatisation of the Airport Authority, and private sector participation in the Ratchaburi Power Plant. The Metropolitan and Provincial Water Authorities and Wastewater Management Authority commissioned a study of the water sector, with a view to privatisation.

**The Eighth Letter of Intent**

The eighth and final Letter of Intent sent to the IMF was signed on 21 September 1999. In it the Thai government claimed that the financial conditions and national economic output had stabilised (Royal Thai Government, 1999b). The Thai Tobacco Monopoly, the most profitable SOE with 4.5 billion baht profit in 1999, was privatised in 1999 to fulfil the August 1997 IMF credit requirement.

**Legal Constraints for Privatisation**

Declaring a policy intent to privatise is only a first step. There are always complex legal matters, which must be attended to. Laws must be amended, regulations removed and new statutes introduced. In Thailand, such legal constraints on privatisation have been numerous, and have slowed down or been used to slow down the pace of privatisation.

There was a variety of legal constraints to privatisation which prevailed in 1998. They are set out in full in Table 4:8.

**Table 4.8 Select Legal Constraints to Privatisation in 1998**

<table>
<thead>
<tr>
<th>Law</th>
<th>Issue</th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <em>Competition Laws</em></td>
<td>The privatisation of divisions of large SOEs may oblige said divisions to compete on unequal terms with the remaining SOE structure.</td>
<td>Sector regulators must be empowered to protect new entrants and other enterprises from abuse of monopoly power by SOEs, particularly in the transition period.</td>
</tr>
<tr>
<td>Law</td>
<td>Issue</td>
<td>Proposal</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-----------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2. Alien Business Law</td>
<td>Under NEC 281 foreigners are not allowed to hold more than one-half of the total shares of a privatised SOE.</td>
<td>The Cabinet or the Registrar of Trade Registration Department should grant exemption from NEC 281.</td>
</tr>
<tr>
<td>3. Taxation Law</td>
<td>Corporate income tax, value added tax, special business tax, transfer fees, and stamp duties shall be borne by the privatised SOE when there is a capital gain from the conversion of assets into shares at corporatisation.</td>
<td>Tax exemption could be granted to SOEs during corporatisation by the MOF or the Revenue Department.</td>
</tr>
<tr>
<td>4. Intellectual Property Laws</td>
<td>Difficulties of enforcement and excessive delays in the pursuit of justice may discourage investment.</td>
<td>Further study is required to solve those impediments.</td>
</tr>
<tr>
<td>5. Land Law</td>
<td>Where foreigners hold more than 49 percent of the shares in a privatised SOE it can no longer own land.</td>
<td>All land should be returned to the government which subsequently may rent the land to privatised SOEs on a long lease basis. (e.g. 60 years) A waiver, by provision in the State-Owned Enterprise Reform Law, should be granted from Section 540 of the Civil and Commercial Codes.</td>
</tr>
<tr>
<td>6. Employment Law</td>
<td>Severance pay could impose a financial burden on privatised SOEs.</td>
<td>Implementation of early retirement programmes or employee retraining and assistance programmes before or during the process of privatisation.</td>
</tr>
<tr>
<td>7. Private Sector Participation Law</td>
<td>Private sector participation under the Private Sector Participation Act B.E. 2535 could conflict with long-term and broad-ranging privatisation under the Master Plan.</td>
<td>The Corporatisation Act should be amended to allow the SERC to ensure that private sector participation projects fall within the aims and objectives of the privatisation programme.</td>
</tr>
<tr>
<td>Law</td>
<td>Issue</td>
<td>Proposal</td>
</tr>
<tr>
<td>-----</td>
<td>-------</td>
<td>----------</td>
</tr>
<tr>
<td>8. Corporatisation Law</td>
<td>The draft Corporatisation Act allows the transfer of rights and privileges of SOEs to the corporatised SOEs for a limited period of time. Regulators must be established to exercise and enforce said rights and privileges to avoid a regulatory vacuum.</td>
<td>Regulatory bodies should be established to issue and enforce licenses to privatised SOEs and other enterprises.</td>
</tr>
<tr>
<td></td>
<td>The corporatisation and privatisation processes could be delayed due to the existence of two jurisdictional bodies: i.e. SOE Capital Policy Committee and the SEPC.</td>
<td>Merge the two into one single commission (i.e. SERC) with the membership and authority of SEPC.</td>
</tr>
<tr>
<td>9. The Constitution - Section 49</td>
<td>Privatised SOEs may lose privileges to use private land or government infrastructure for the purpose of business.</td>
<td>When there is a need to use land for commercial purposes, the Cabinet may issue a Resolution on expropriation of land that requires the SOE to construct with its own expenses while renting the land.</td>
</tr>
<tr>
<td>10. Company Law – ‘Golden Shares’</td>
<td>Golden shares are not envisaged under Thai Law.</td>
<td>To reserve the government’s holding in some corporatised SOEs, the government may maintain 33.4 percent of the total shares of a private company and 25.1 percent of a public company.</td>
</tr>
<tr>
<td>11. Securities Laws</td>
<td>Acquisition or holding of 25 percent or more of the total shares in a public company is deemed a take-over, and a tender offer is therefore required.</td>
<td>If privatisation is undertaken by means of a private placement or acquisition of a strategic partner, an SOE should be corporatised as a private company.</td>
</tr>
</tbody>
</table>

**Source:** Ministry of Finance Government of Thailand, 1998a

To facilitate the privatisation of SOEs the government was obliged to implement major changes to the existing legal framework and introduce new legislation of considerable importance. For example, the *Corporatisation Act* passed by parliament was given royal
assent in 2000. This paved the way for SOEs to be corporatised. Prior to privatisation, the law also overcame the need for separate legislation to corporatize each SOE by converting it into a public company under Thailand’s Civil and Commercial Code. Under the new corporatisation law, the MOF initially holds all the shares in any SOE that becomes a corporate entity and can be privatised through share sales to the public through the stock market. Consequently, the government also had to amend the Public Companies Act, the Stock Exchange Act and other legislation (Royal Thai Government, 1998d).

With these legal reforms, Thailand developed a wider variety of forms and methods of privatisation, expanding from the joint venture approach used in the early 1990s to many other forms and methods including trade sale, public offering, leasing, and merging. Table 4.9 gives an overview of privatisations that were undertaken following the reforms of relevant laws. Note that these privatisations only made minor changes to the public sectors of the provision of transport, energy and telecommunication sectors that were regarded as high priority for privatisation.

Privatisation is variously defined in Thailand and comes in many forms and types. As seen in the table below, privatisation types range from joint venture, trade sale, public offering, leasing and concession provision. The method of privatisation in each case was tailored to suit the specific conditions of the SOEs and the requirements of the government and the private sector.

Table 4.9 Examples of Types of Privatisation (1984-2003)

<table>
<thead>
<tr>
<th>Year</th>
<th>SOE Enterprise</th>
<th>Sector</th>
<th>Type of Privatisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>Thai Industrial Shop</td>
<td>Commercial and Services</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>1985</td>
<td>Marble Co., Ltd.</td>
<td>Industrial</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>1986</td>
<td>The Syndicate of Thai Hotels and Tourist Enterprises</td>
<td>Commercial and Services</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>1988</td>
<td>Chonburi Sugar Industry Co., Ltd.</td>
<td>Industrial</td>
<td>Trade Sale</td>
</tr>
<tr>
<td>1988</td>
<td>NorthEast Jute Mill Co., Ltd.</td>
<td>Industrial</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1988</td>
<td>Paper Mill Industry</td>
<td>Industrial</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Year</td>
<td>SOE Enterprise</td>
<td>Sector</td>
<td>Type of Privatisation</td>
</tr>
<tr>
<td>------</td>
<td>----------------</td>
<td>--------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>1989</td>
<td>Preserved Food Organisation</td>
<td>Industrial</td>
<td>Leasing</td>
</tr>
<tr>
<td>1989</td>
<td>Thai Airways Co., Ltd.</td>
<td>Transport</td>
<td>Merging with Thai Airways International Co., Ltd.</td>
</tr>
<tr>
<td>1989</td>
<td>Expressway and Rapid Transit Authority of Thailand</td>
<td>Transport</td>
<td>Concession of the second stage of expressway</td>
</tr>
<tr>
<td>1989</td>
<td>Krung Thai Bank</td>
<td>Financial Institution</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1990</td>
<td>The State Railway of Thailand</td>
<td>Transport</td>
<td>Concession of the Elevated Train Project</td>
</tr>
<tr>
<td>1990</td>
<td>The Metropolitan Waterworks Authority</td>
<td>Water</td>
<td>Concession of Bangpli Project</td>
</tr>
<tr>
<td>1991</td>
<td>Telephone Organisation of Thailand</td>
<td>Telecom</td>
<td>Concession of the two million lines project</td>
</tr>
<tr>
<td>1991</td>
<td>Port Authority of Thailand</td>
<td>Transport</td>
<td>Leasing wharves at Lam Chabang Seaport</td>
</tr>
<tr>
<td>1992</td>
<td>Thai Airways International Co., Ltd.</td>
<td>Transport</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1992</td>
<td>The Electricity Generating Authority of Thailand</td>
<td>Energy</td>
<td>Set up a subsidiary company then public offering</td>
</tr>
<tr>
<td>1992</td>
<td>The Bangkok Mass Transit Authority</td>
<td>Transport</td>
<td>Concession of the Micro Bus Project</td>
</tr>
<tr>
<td>1992</td>
<td>Telephone Organisation of Thailand</td>
<td>Telecom</td>
<td>Concession of one million lines project</td>
</tr>
<tr>
<td>1992</td>
<td>The Provincial Waterworks Authority</td>
<td>Water</td>
<td>Set up a subsidiary company</td>
</tr>
<tr>
<td>1993</td>
<td>PTT Exploration and Production PLC.</td>
<td>Energy</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1994</td>
<td>Electricity Generating PLC.</td>
<td>Energy</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1994</td>
<td>PTT Exploration and Production PLC.</td>
<td>Energy</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1994</td>
<td>Expressway and Rapid Transit Authority of Thailand</td>
<td>Transport</td>
<td>Concession of Raminthra-Ajnarong Project</td>
</tr>
<tr>
<td>1995</td>
<td>The Glass Organisation</td>
<td>Industrial</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Year</td>
<td>SOE Enterprise</td>
<td>Sector</td>
<td>Type of Privatisation</td>
</tr>
<tr>
<td>------</td>
<td>---------------</td>
<td>--------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>1995</td>
<td>The Electricity Generating Authority of Thailand</td>
<td>Energy</td>
<td>Concession of the electricity procurement</td>
</tr>
<tr>
<td>1995</td>
<td>Port Authority of Thailand</td>
<td>Transport</td>
<td>Concession of the B5 Harbour for 30 years</td>
</tr>
<tr>
<td>1996</td>
<td>Tipaya Insurance Co., Ltd.</td>
<td>Commercial and Services</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1996</td>
<td>The State Railway of Thailand</td>
<td>Transport</td>
<td>Concession of the 6 warehouse stations at Ladkrabang</td>
</tr>
<tr>
<td>1996</td>
<td>Expressway and Rapid Transit Authority of Thailand</td>
<td>Transport</td>
<td>Concession of Jangwattana-Bangphun-Bangsai Expressway Project</td>
</tr>
<tr>
<td>1996</td>
<td>The Provincial Waterworks Authority</td>
<td>Water</td>
<td>BOT of Pathumthani-Rungsit Waterworks Project and Phuket Project</td>
</tr>
<tr>
<td>1997</td>
<td>Off-Shore Mining Organisation</td>
<td>mining</td>
<td>Dissolution</td>
</tr>
<tr>
<td>1997</td>
<td>The Provincial Waterworks Authority</td>
<td>Water</td>
<td>Set up subsidiary (East Water) to provide water supply in Eastern Seaboard area, then IPO</td>
</tr>
<tr>
<td>1998</td>
<td>The Metropolitan Waterworks Water Authority</td>
<td></td>
<td>Set up new company to offer pipeline maintenance services</td>
</tr>
<tr>
<td>1998</td>
<td>The Preserved Foods Organisation</td>
<td>Industrial</td>
<td>Dissolution</td>
</tr>
<tr>
<td>1998</td>
<td>The Textile Organisation</td>
<td>Industrial</td>
<td>Dissolution</td>
</tr>
<tr>
<td>1998</td>
<td>PTTEP (PTT’s subsidiary)</td>
<td>Energy</td>
<td>Public Offering</td>
</tr>
<tr>
<td>1998</td>
<td>EGCO (EGAT’s subsidiary)</td>
<td>Energy</td>
<td>Strategic sale to China Light &amp; Power</td>
</tr>
</tbody>
</table>

Source: *MoF (1998) and various*

In 1999, the MOF also prioritised the sectors of transportation, energy and telecommunications for privatisation. The Ministry of Finance compiled a list of SOEs in these sectors which would be targeted for privatisation, and provided the proposed breakdown of shareholding between the public and private sectors (Table: 4:10).
Table 4.10 Transport, Energy and Telecoms Privatisation Priorities: Planned Divestitures of Fast Track Privatisation Candidates

<table>
<thead>
<tr>
<th>State enterprise</th>
<th>Ministry of Finance shareholding (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Before</td>
</tr>
<tr>
<td>Transport Sector</td>
<td></td>
</tr>
<tr>
<td>Thai Airways International</td>
<td>93</td>
</tr>
<tr>
<td>Thai Maritime Navigation Company</td>
<td>100</td>
</tr>
<tr>
<td>Airports Authority of Thailand</td>
<td>100</td>
</tr>
<tr>
<td>Four regional airports (Airports Authority of Thailand subsidiaries)</td>
<td>100</td>
</tr>
<tr>
<td>Energy Sector</td>
<td></td>
</tr>
<tr>
<td>Bangchak Petroleum Public Company</td>
<td>80</td>
</tr>
<tr>
<td>Esso (Thailand)</td>
<td>12.5</td>
</tr>
<tr>
<td>Ratchaburi power station (EGAT subsidiary)</td>
<td>100</td>
</tr>
<tr>
<td>Telecommunications Sector</td>
<td></td>
</tr>
<tr>
<td>Communications Authority of Thailand</td>
<td>100</td>
</tr>
<tr>
<td>Telecommunications Organisation of Thailand</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance Government of Thailand, 2001a

As a result of the NESDPs and Letters of Intent, six key reform methods were identified by the Ministry of Finance: 1) Legal reform, which included revisions to laws to enable private enterprises to effectively compete in sectors formerly dominated by SOEs. As well as creating new laws and regulations, a number of existing laws and regulations were either to be repealed or amended. 2) Regulatory reform, which created independent regulatory bodies to
ensure fair and open competition in industry sectors, limited the powers of monopolies, enforced transparency in pricing and enterprise operations, and ensured that public enterprises were accountable to the public for their actions. 3) *Divesting SOEs*, by which the government transferred state operations or assets that it deemed may be more efficiently managed in the private sector, through sale, lease or other means. 4) *Encouraging new private enterprise entry* in sectors of the economy previously dominated by the state. 5) *Introducing international best practices* to ensure management accountability and improve performance. 6) *Enhancing performance monitoring/measurement* for SOEs and newly privatised enterprises, and providing more market information to the public including stakeholders and investors.

The Thai government continued to strengthen the implementation of its privatisation policy, in order to make concrete and systematic progress. In 1998, the State Enterprise Policy Commission (SEPC) identified, and began divestiture of, fast-track enterprises (including those in the telecommunications sector), appointed privatisation advisors and prepared regulatory framework guidelines for the short, medium and long term. The role of the SEPC was to set the overall policy direction for privatising SOEs. Under the privatisation framework, private investors could submit plans to invest in existing SOEs to the latter’s host ministries or the SEPC (Ministry of Finance, Royal Thai Government, 1998a). In April 1999, the Thai government established a sub-committee of SEPC to prepare regulatory framework guidelines for consideration by Cabinet: the State Enterprise Reform Commission (SERC). This commission was to act as a central agency to oversee the implementation of privatisation at a national level. It reviewed the privatisation candidate SOEs to ensure consistency with the overall reform programme goals and objectives, and also approved or requested amendments to plans and forwarded these to Cabinet for approval. The Cabinet then reviewed and approved or requested amendments to the plans proposed by the SERC.

By 1999, Thailand’s GDP growth rate had recovered to 1.5 per cent (Phoosuphanusorn, 1999), and in 2000, the amount of non-performing loans was down more than half from the 1999 peak period. A huge portion of the reduction came from a transfer of 390 billion baht from the state-owned Krung Thai Bank to an asset management fund. The Bank of Thailand repaid its 1997 loan to the IMF earlier than the scheduled time of 2003 (Ingsrisawang, 2000).

In 2001, the Thaksin government came into power, and centralised responsibility for privatisation with the amalgamation of more legal Acts, including the *Corporatisation Act*. Thaksin prepared Thailand for liberalisation commitments made by the previous Chavalit
government by introducing a classification of 34 SOEs into 6 categories for the purpose of determining regulations and appropriate incentive systems (see Table 4:11), and by privatising two profitable and competitive SOEs, namely: Thai Airways International Co. Ltd. and the Petroleum Authority of Thailand (PAT).

Table 4.11 1999 Classification of State-Owned Enterprises

<table>
<thead>
<tr>
<th>Classification</th>
<th>SOE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Profitable Monopoly</td>
<td>Government Lottery Bureau</td>
</tr>
<tr>
<td></td>
<td>Thailand Tobacco Monopoly</td>
</tr>
<tr>
<td>2. Self-supporting</td>
<td>Communications Authority of Thailand</td>
</tr>
<tr>
<td>Revenue-Earning Monopoly</td>
<td>Airports Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Waterworks Authority</td>
</tr>
<tr>
<td></td>
<td>Expressway and Rapid Transit Authority</td>
</tr>
<tr>
<td></td>
<td>Provincial Waterworks Authority</td>
</tr>
<tr>
<td></td>
<td>Telephone Organisation of Thailand</td>
</tr>
<tr>
<td></td>
<td>Electricity Generating Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Electricity Authority</td>
</tr>
<tr>
<td></td>
<td>Provincial Electricity Authority</td>
</tr>
<tr>
<td></td>
<td>New Bangkok International Airport</td>
</tr>
<tr>
<td></td>
<td>Aeronautical Radio of Thailand</td>
</tr>
<tr>
<td>3. Social Service Delivery</td>
<td>Bangkok Mass Transit Authority of Thailand</td>
</tr>
<tr>
<td>Monopoly</td>
<td>State Railway Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>Metropolitan Rapid Transit Authority</td>
</tr>
<tr>
<td>4. Semi-competitive</td>
<td>Mass Communication Authority of Thailand</td>
</tr>
<tr>
<td>privileged SOE</td>
<td>Port Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>National Housing Authority</td>
</tr>
<tr>
<td></td>
<td>Transport Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>Industrial Estate Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>Government Pharmaceutical Authority of Thailand</td>
</tr>
</tbody>
</table>
Chapter 4 State-Owned Enterprises and Privatisation in Thailand: An Account of Policies and Reforms

<table>
<thead>
<tr>
<th>Classification</th>
<th>SOE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wastewater Management Authority</td>
</tr>
<tr>
<td></td>
<td>Government Savings Bank</td>
</tr>
<tr>
<td></td>
<td>Export Import Bank of Thailand</td>
</tr>
<tr>
<td></td>
<td>Bank of Agriculture and Agricultural Corporation</td>
</tr>
<tr>
<td></td>
<td>Government Housing Bank</td>
</tr>
<tr>
<td></td>
<td>Housing Subsidiary Credit Corporation</td>
</tr>
<tr>
<td></td>
<td>Medium Sized Industry Capital Corporation</td>
</tr>
<tr>
<td></td>
<td>Medium Sized Industry Credit Insurance Corp.</td>
</tr>
<tr>
<td>5. Competitive SOE</td>
<td>Thai Airways International Co. Ltd.</td>
</tr>
<tr>
<td></td>
<td>Krung Thai Bank</td>
</tr>
<tr>
<td></td>
<td>Petroleum Authority of Thailand</td>
</tr>
<tr>
<td>6. Promotional SOE</td>
<td>Science and Technology Research Institution of Thailand</td>
</tr>
</tbody>
</table>

Source: National Electronics and Computer Technology Centre, 2002

As mentioned earlier, the Thai government’s development policies (including privatisation) as they appeared in some of the NESDPs, showed external influence especially from the IMF and the World Bank. However, this influence in support of external privatisation did not prevent the government from setting up new SOEs when considered necessary. Some examples of these new SOEs appear in Table 4:12, which lists SOEs assigned to various ministries and centrally controlled by the Ministry of Finance in 2003, demonstrating that SOEs still play important roles in the Thai economy, society and politics today. According to statistics (from the Ministry of Finance, the Bank of Thailand in 2001, and various other sources till 2003), over 90 SOEs have been established under various Ministries since the 1998 reforms, showing yet again that, despite the government policy of privatising existing SOEs, it established many new SOEs in order to fulfil political or socio-economic policy objectives. The government also established some new SOEs where it considered the private sector unable to supply the local demand for products and services.
Table 4.12 List of SOEs assigned to various ministries, and centrally controlled by the Ministry of Finance (compiled in 2003)

<table>
<thead>
<tr>
<th>Ministry in Charge</th>
<th>SOEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Prime Minister</td>
<td>1. Thai Duty Free Shops Co. Ltd</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>2. Krung Thai Computer Services</td>
</tr>
<tr>
<td></td>
<td>3. Krung Thai Card Co. Ltd</td>
</tr>
<tr>
<td></td>
<td>4. Krungthai AXA Life Insurance Company Limited</td>
</tr>
<tr>
<td></td>
<td>5. Dhipaya Insurance Public Company Limited</td>
</tr>
<tr>
<td></td>
<td>6. Krung Thai Land and House Co. Ltd</td>
</tr>
<tr>
<td></td>
<td>7. Krung Thai Legal Services Co. Ltd</td>
</tr>
<tr>
<td></td>
<td>10. Krungthai Panich Insurance Company Limited</td>
</tr>
<tr>
<td></td>
<td>11. Krung Thai IBJ Leasing Company Limited (KTIBJ)</td>
</tr>
<tr>
<td></td>
<td>12. Krung Thai General Business Services Company Limited</td>
</tr>
<tr>
<td></td>
<td>13. Financial Sector Reform Organisation</td>
</tr>
<tr>
<td></td>
<td>15. Bangkok Metropolitan Bank Public Company</td>
</tr>
<tr>
<td></td>
<td>16. Siam City Bank Public Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>17. Small Industry Finance Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>18. Small Industry Credit Guarantee Corporation</td>
</tr>
<tr>
<td></td>
<td>19. Finance Institution Development Fund</td>
</tr>
<tr>
<td></td>
<td>20. National Fertilizer Public Company</td>
</tr>
<tr>
<td></td>
<td>22. Bangkok Commercial Asset Management Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>23. Sukhumvit Asset Management Co. Ltd.</td>
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<td></td>
<td>24. Radanasin Asset Management Co. Ltd.</td>
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<tr>
<td>Ministry in Charge</td>
<td>SOEs</td>
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<tr>
<td></td>
<td>25. Krung Thai Asset Management Company Ltd.</td>
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<tr>
<td></td>
<td>26. Securities Exchange Committee</td>
</tr>
<tr>
<td>Ministry of Industry</td>
<td>27. PTT Exploration and Production Co. Ltd.</td>
</tr>
<tr>
<td></td>
<td>28. PTT (International) Co. Ltd.</td>
</tr>
<tr>
<td>Ministry of Science, Technology and Environment</td>
<td>20. Internet Thailand Co. Ltd.</td>
</tr>
<tr>
<td></td>
<td>31. Fish Marketing Organisation</td>
</tr>
<tr>
<td></td>
<td>32. Forest Industry Organisation</td>
</tr>
<tr>
<td></td>
<td>33. Baan Wat Chan Royal Project</td>
</tr>
<tr>
<td></td>
<td>34. National Elephant Institute, in Lampang.</td>
</tr>
<tr>
<td></td>
<td>35. Thai Elephant Conservation Centre, (TECC) on Km 28-29, Lampang - Chiang Mai Highway, Lampang Highway</td>
</tr>
<tr>
<td></td>
<td>36. Marketing Organisation for Farmers</td>
</tr>
<tr>
<td></td>
<td>37. Office of Rubber Replanting Aid Fund</td>
</tr>
<tr>
<td></td>
<td>38. Rubber Estate Organisation, in Nakhon Si Thammarat.</td>
</tr>
<tr>
<td></td>
<td>30. Thai Plywood Co. Ltd.</td>
</tr>
<tr>
<td>Ministry of Transport (formerly known as Ministry of Transport &amp; Communication)</td>
<td>40. Aeronautical Radio of Thailand Ltd., (AEROTHAI)</td>
</tr>
<tr>
<td></td>
<td>41. Airports of Thailand Pcl.</td>
</tr>
<tr>
<td></td>
<td>42. Suvarnabhumi Airport</td>
</tr>
<tr>
<td></td>
<td>43. Unofficial Suvarnabhumi Airport Site</td>
</tr>
<tr>
<td></td>
<td>44. Thai Airports Ground Services, (TAGS).</td>
</tr>
<tr>
<td></td>
<td>46. Civil Aviation Training Centre, (CATC).</td>
</tr>
<tr>
<td></td>
<td>47. Express Transportation Organisation of Thailand, (ETO).</td>
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<tr>
<td>Ministry in Charge</td>
<td>SOEs</td>
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<tr>
<td></td>
<td>48. Expressway and Rapid Transit Authority of Thailand, (ETA).</td>
</tr>
<tr>
<td></td>
<td>52. Ports Authority of Thailand</td>
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<tr>
<td></td>
<td>54. Laem Chabang International Terminal Co., Ltd., Terminal B5.</td>
</tr>
<tr>
<td></td>
<td>55. LCB Container Terminal 1 Ltd.</td>
</tr>
<tr>
<td></td>
<td>56. Rayong Bulk Terminal, (RBT).</td>
</tr>
<tr>
<td></td>
<td>57. Terminal Import &amp; Export Performance Service, (TIPS).</td>
</tr>
<tr>
<td></td>
<td>58. Laem Chabang Port</td>
</tr>
<tr>
<td></td>
<td>59. State Railway of Thailand, (SRT)</td>
</tr>
<tr>
<td></td>
<td>60. Thai Airways International Pcl., (THAI).</td>
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<tr>
<td></td>
<td>61. Bangkok Aviation Fuel Services Pcl., (BAFS)</td>
</tr>
<tr>
<td></td>
<td>62. Thai Maritime Navigation Co. Ltd., (TMN)</td>
</tr>
<tr>
<td></td>
<td>63. Transport Company Ltd., (TC).</td>
</tr>
<tr>
<td></td>
<td>64. TCL Information Centre</td>
</tr>
<tr>
<td></td>
<td>65. Thai-Information Solutions Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>66. Thai-Amadeus South East Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>67. The Transport Company</td>
</tr>
<tr>
<td>Office of the Prime Minister</td>
<td>68. The Mass Communication Organisation of Thailand</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>69. The Teachers’ Council of Thailand</td>
</tr>
<tr>
<td></td>
<td>70. Kuruspa Business Organisation</td>
</tr>
<tr>
<td>Ministry of Tourism and Sport</td>
<td>71. Tourism Authority of Thailand</td>
</tr>
<tr>
<td>Ministry in Charge</td>
<td>SOEs</td>
</tr>
<tr>
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</tr>
<tr>
<td>Ministry of Natural Resources and Environment</td>
<td>72. Sports Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>73. Queen Sirikit Botanic Garden</td>
</tr>
<tr>
<td></td>
<td>74. Wastewater Management Authority</td>
</tr>
<tr>
<td></td>
<td>75. Zoo Thailand</td>
</tr>
<tr>
<td>Ministry of Information Communications and Technology</td>
<td>76. Telephone Organisation of Thailand</td>
</tr>
<tr>
<td></td>
<td>77. The Communication Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>78. TOT Corporation public company limited (autonomous public company)</td>
</tr>
<tr>
<td>Ministry of Energy</td>
<td>79. Electricity Generating Authority of Thailand (autonomous public company)</td>
</tr>
<tr>
<td></td>
<td>80. PTT Public Company Limited, PTT</td>
</tr>
<tr>
<td></td>
<td>81. Bangchak Petroleum Public Company Limited, BCP</td>
</tr>
<tr>
<td>Ministry of Interior</td>
<td>82. The Metropolitan Electricity Authority</td>
</tr>
<tr>
<td></td>
<td>83. Provincial Electricity Authority</td>
</tr>
<tr>
<td></td>
<td>84. The Metropolitan Waterworks Authority</td>
</tr>
<tr>
<td></td>
<td>85. Expressway and Rapid Transit Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>86. National Housing Authority</td>
</tr>
<tr>
<td></td>
<td>87. The Provincial Waterworks Authority</td>
</tr>
<tr>
<td></td>
<td>88. The Marketing Organisation</td>
</tr>
<tr>
<td>Ministry of Culture</td>
<td>89. Princess Maha Chakri Sirindhorn Anthropology Centre (Public Organisation)</td>
</tr>
<tr>
<td>Ministry of Public Health</td>
<td>90. The Government Pharmaceutical Organisation</td>
</tr>
<tr>
<td>Ministry of Industry</td>
<td>91. The Industrial Estate Authority of Thailand</td>
</tr>
<tr>
<td></td>
<td>92. Narayana Phand Company Ltd.</td>
</tr>
<tr>
<td></td>
<td>93. Petroleum Authority of Thailand</td>
</tr>
</tbody>
</table>

Source: various
The Thai Securities Exchange Commission estimated the value of SOEs being primed for privatisation in 1999 at around US$6 billion (Department of Foreign Affairs and Trade, 2000). In 1998, SOEs held baht 1.7 trillion (US$45 billion) in assets, and generated baht 1.1 trillion (US$29 billion) in gross revenue. Thailand has shown a quick recovery from the 1997 economic financial with a steady growth rate.

Anti-Privatisation

There has been many protests against privatisation by opponents who believe first: that SOEs should be recognised as national assets and revenue earners; and secondly that they should be used for developing Thailand under government ownership. Anti-privatisation sentiment linked to anti-IMF and anti-World Bank views grew after the financial crisis, and especially in 1999 when the IMF was pressuring the Thai government to privatise Thailand’s most profitable SOEs.

There were many news reports between 1997 and 2004 covering the anti-privatisation protests. There was a protest against the privatisation of the Port Authority of Thailand, reported by the FinanceAsia magazine (Neilsen, 2002), and Prime Minister Thaksin was reported as rejecting union claims that the Government was selling off SOEs to foreign companies (Tunyasiri, 2003). More recent reports included one in March 2004 about 50,000 protestors, led by EGAT’s labour union, expressing their displeasure at the privatisation move (International Press Service News Agency, 2004). Again, on 11 May 2004, in the light of the firm refusal to reverse its pro-privatisation agenda from the Thai Government, some 10,000 Thai anti-privatisation demonstrators, including those from the EGAT and four other state-owned utilities, submitted a petition to the King of Thailand ‘to pressure the Government into abandoning plans to sell off state enterprises’ (ABC Radio Australia News, 2004). These protests against privatisation seem to be broadly based on nationalistic sentiment.

CONCLUSIONS

The State in Thailand has a long history of both direct involvement in the economy and promotion of the private sector, going back to the 13th century. The history of the formation of
SOEs were first set up in Thailand by absolute monarchs, but with the arrival of Western colonial powers, these quickly became the targets of policy transfer, either through coercion, or through the appointment of western-educated Thai nationals. The advent of various military regimes under the new constitutional monarchy led to the use of SOEs as the means of amassing personal wealth for those in power. SOEs were also used to rebuild the infrastructure that had been destroyed during World War II, and for political reasons, such as the ending of the influence enjoyed by foreign nationals over key national industries. The period from the 1960s onwards saw an increasing influence of powerful international actors in government policy towards SOEs. The combined problems of a budget deficit and a lacklustre economy led successive governments to include in National Development Plans the aim of encouraging private sector development, creating economic growth and reducing government expenditure in the provision of infrastructure. As shown in Table 4.9, these objectives led to the privatisation of several SOEs over a period of more than 20 years. While early NESDPs stated that there would be no competition between the government and private sector in industries where the latter was more efficient, later Plans proposed increased private sector involvement in national development and high levels of privatisation. In fact, the early 1990s saw the decline of the military’s influence in economic management, and, with it, a reduction in the rate of privatisation. The Seventh NESDP was more concerned with income distribution than with economic growth and gave equity considerations in the delivery of services the highest priority. The 1997 Asian Financial Crisis and subsequent new Constitution, along with the conditions imposed by the IMF and World Bank, paved the way for the complete privatisation of key SOEs – the Letters of Intent submitted by the Thai government to the IMF make clear the former’s commitment to the legal and organisational reform of SOEs, including the privatisation of profitable SOEs.

There has been support for privatisation policy by many Prime Ministers, especially Prem Tinsulanonda (1980–88), Chatichai Choonhavan (1988-91), Chavalit Yongchaiyudh (1996-97) and Anand Panyarachun (1991-92) (Shinawatra, 2002). The Chuan Leekpai (1992-1995 and
1997-2001) administration set standards for spending control in the public sector (ibid), while Thaksin (2001 onwards) was a telecommunication tycoon who became prime minister, and had a keen interest in public sector reform and privatisation. On the other hand, there has also been persistent and constant resistance to privatisation from SOE unions and employees, NGOs and some academics. The SOEs still retain much public support while powerful unions such as that at EGAT, are able to provide strong resistance to privatisation.

A trend towards good governance has become apparent in recent years, with an understanding that privatisation should not be fully implemented without ensuring that the appropriate reforms to corporate governance are also undertaken. A balance between government regulation and legal and structural reforms through good governance in the public and private sector is important for both economic and social benefits. What has not happened as yet is the implementation of policies for good corporate governance in the Thai economy. Another major concern is that community and public interests could be overlooked in privatising the activities of major SOEs. The Thai government has still not produced much evidence from post-privatisation monitoring and evaluation on how the tangible and intangible benefits of privatisation have been equally distributed to the Thai people.
Chapter 5

Telecommunications Privatisation and Policy Transfer in Thailand

INTRODUCTION

The process of privatisation is a multi-dimensional phenomenon, involving the interplay of various historical, political, economic and social elements. The need for this broad perspective was demonstrated in the previous chapter, where the range of factors shaping the development and eventual privatisation of SOEs was examined. This chapter retains this multi-layered perspective, and applies it more specifically to the domain of telecommunications within Thailand. In both historical and contemporary settings, powerful international and domestic players have interacted with the prevailing socio-economic, political and cultural conditions, thereby impacting upon policy transfer outcomes. The aim of this chapter is to consider how this conjuncture of different actors and conditions has shaped Thai telecommunications policy in both the past and the present.

In order to tease out the multiple political, social and economic strands woven into the history and current predicament of telecommunications within Thailand, this chapter comprises two key sections. The first part adopts a chronological approach which explores the various historical phases that have characterised the development of Thai telecommunications. What has been the impact of external and internal actors in the establishment and development of telecommunications in Thailand? Through which mechanisms has policy transfer historically occurred, and in what ways has this transfer been mediated by local factors? This section aims to answer these questions and provide a grounding upon which contemporary issues can be contextualised and understood. The second part contains an analysis of the renewed push towards telecommunications privatisation in the last decade and its associated issues and challenges. Here again, policy transfer emerges as a complex, non-linear process. To understand this process, the thesis intend to trace the elements that have both driven and inhibited telecommunications privatisation, thereby revealing the unique aspects confronting
Chapter 5  
*Telecommunications Privatisation and Policy Transfer in Thailand*

Thailand in its move to transform the administrative structures and policy frameworks inherited from the past. As will be argued, political instability and disagreements over administrative and policy frameworks have delayed telecommunications privatisation, and hence the ultimate outcomes of the privatisation process remain uneven and unclear.

Tracing both the historical trajectory and the specific socioeconomic and political terrain of the present, this chapter aims to provide the multi-dimensional understanding required for a model of Thai telecommunications. Before embarking on this analysis however, it is first necessary to clarify the concept of telecommunications. Throughout this discussion, I have adopted a broad definition of telecommunications to be the ‘transmission, between or among points specified by the user, of information of the user’s choosing, without change in the form or content of the information as sent and received’ (US Department of Commerce, 2003). This includes services such as the post, telephony, both wireless and wire line, and the Internet.

**THE CONTEXT OF TELECOMMUNICATIONS IN THAILAND**

The history of telecommunications in Thailand can be divided into three stages. The first or pioneer stage, from 1875 to 1937, saw the introduction of fixed line and wire technology and was marked by the first telegraph service. During the second stage, lasting from 1938 to 1966, telecommunications development was initially slowed down by the Second World War, but eventually recovered during the Cold War, guided by a national economic development strategy. The third stage, from 1967 to present, heralded the satellite era that introduced wireless technology to Thailand. In the sections that follow, I will examine each of these historical phases, and draw out the central themes and issues that have shaped the development of telecommunications in Thailand, paying particular attention to the nature and content of policy transfer during these stages.
The Pioneer Stage (1875 – 1937)

The pioneer stage in Thai telecommunications is characterised by the transfer of Western technology and a rapid expansion of telecommunications services and products. A chronology of key developments during this stage is listed in Table 5.1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1875</td>
<td>First telegraph service - between Bangkok and Samutprakhan</td>
</tr>
<tr>
<td>1876</td>
<td>Telephone invented by Alexander Graham Bell in the USA</td>
</tr>
<tr>
<td>1881</td>
<td>First telephone service imported to Thailand by Ministry of Defence for national security</td>
</tr>
<tr>
<td>1883</td>
<td>Postal Department and Telegraph Department established</td>
</tr>
<tr>
<td>1885</td>
<td>Siam joins International Telecommunications Union (ITU)</td>
</tr>
<tr>
<td></td>
<td>Enactment of Post Office Law which encompassed telecommunications</td>
</tr>
<tr>
<td>1886</td>
<td>First public usage of telephone with 60 subscribers</td>
</tr>
<tr>
<td>1897</td>
<td>Postal Department and Telegraph Department combine to become the Post and Telegraph Department (PTD)</td>
</tr>
<tr>
<td>1907</td>
<td>Navy uses an imported Marconi radio transmitter and receiver for first time</td>
</tr>
<tr>
<td>1907</td>
<td>Telegraph connected from Siam to Europe for first time</td>
</tr>
<tr>
<td>1907</td>
<td>First telephone exchange installed for military and government usage</td>
</tr>
<tr>
<td>1912</td>
<td>Siam represented at second ITU conference on radio and telegraph in London</td>
</tr>
<tr>
<td>1914</td>
<td>Telegraph Act</td>
</tr>
<tr>
<td>1919</td>
<td>Telephone line rental increased to 1,422 lines</td>
</tr>
<tr>
<td>1920</td>
<td>Radio Telegraph Act</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
</tr>
<tr>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>1875–1937</td>
<td>The pioneer stage in Thai telecommunications</td>
</tr>
<tr>
<td>1921</td>
<td>Telegraphic code used for the first time in Thai language</td>
</tr>
<tr>
<td>1922</td>
<td>Second telephone exchange installed for public at Central Post Office</td>
</tr>
</tbody>
</table>
| 1928 | Long-distance telephone service extended to provinces near Bangkok  
Direct two-way radio transmission between Thailand and Europe |
| 1929 | Private citizens allowed to own radios (previously prohibited under the 1915 Telegraph Act) |
| 1931 | First private citizens’ radio broadcasting station established |
| 1931 | Radio telephone to Europe available for public usage |
| 1931 | Radio station for weather broadcasts to provinces established |
| 1931 | Television introduced for educational purposes |
| 1931 | Thai Television Corporation established |
| 1932 | First automatic telephone exchange established |
| 1934 | *Telegraph and Telephone Act BE 2477 (1934)*; this made telecommunications a function of SOEs, granting the government the monopolistic right and authority to install, maintain, and provide telegraph and telephone services in Thailand |
Number of telephone lines increases to 2,300  
Radio Communications Act |
| 1936 | Further telephone lines installed and number of subscribers increases to 3,200  
First long distance telephone service to Tokyo |
| 1937 | Users able to dial numbers from telephones via automatic exchanges |
In 1869, when Siam was in a period of transition between monarchs, the government granted a concession to a British company represented by William Henry Reed to lay telegraph cables in various provinces of Siam and south to Penang Island (off the west coast of the Malay Peninsula). This was the first telecommunications concession ever granted in Thailand, and was due primarily to the superior technical knowledge and political dominance of Britain at the time. However, despite full ownership rights and government subsidies, the British company was unable to complete the project on time. Consequently, in 1875, Reed submitted another request to the government of Siam, seeking monopoly rights for the telegraph business. The British were given permission to connect their services in Malaya to Siamese telegraph lines. Thus, the transfer of telecommunications technology from the United Kingdom to Siam started in the form of the telegraph in 1875.

After negotiating a new agreement, the government started to manufacture telegraph cables using the same technical standards and specifications as those used in India and Europe. This demonstrated the technological transfer and ‘penetration’ that linked Siam to the global telecommunications community. The involvement of the British also set a precedent which would pave the way for future policy transfer and diffusion and for the eventual voluntary spread of telecommunications policy from Britain to Siam.

In 1876, the Ministry of Defence of Thailand built a 45 kilometre telegraph line between Bangkok and Samutprakhan province (Telephone Organisation of Thailand, 2005b). At first, the use of this telegraph service was restricted to the military and government. The government used the telegraph for administering the taxation of foreign freight travelling across the Gulf of Siam (now known as the Gulf of Thailand) between Samutprakhan province and Bangkok. In 1881, during the reign of King Rama IV, and only five years after the invention of the telephone, the Ministry of Defence imported this technology to Thailand for the first time for military usage (Telephone Organisation of Thailand, 2005b). This event is not surprising due to the close political and economic ties between the US and Thailand at the time. Thus, the US became the second major international actor in the telecommunications sector in Thailand.
In 1883 the Department of Post and the Department of Telegraph were founded by King Rama V, and merged in 1898 to become the Post and Telegraph Department (PTD), a monopoly SOE. The telegraph service to nearby provinces was also opened to public use in 1883 (Kansusan haeng Prathet Thai, 1990). However, this initially proved to be an expensive and unprofitable venture: for example, the Telegraph Department’s expenses in 1883 reached 172,265 baht while its revenue came to only 25,588 baht. The government bore this loss because it hoped the expansion of the network would easily compensate for administrative costs. This can be regarded as an early form of Community Service Obligation (CSO), with the full cost covered by the government in the interest of delivering a public benefit. The notion of telecommunications as a CSO has been a key theme underpinning much of the history of telecommunications in Thailand. In the early phases of telecommunications, state investment was essential for the provision of expensive infrastructure. This example illustrates how a ‘community service obligation arises when a government requires a public enterprise to carry out activities (relating to outputs and inputs) which it would not elect to do so on a commercial basis or which it would only do commercially at higher prices.’ (Australian Railway Association, 2005)

By 1885, Thailand had integrated itself into a global communications network by becoming a member of the International Telecommunications Union (ITU). Becoming a member of this influential multinational organisation opened up Thailand for additional opportunities to modernise telecommunications. While adopting and conforming to international telecommunications standards and practices set by the ITU, telecommunications technology was transferred to Thailand. Also evident in ITU membership was an element of policy convergence that increased the similarity between policies in Thailand and those of other ITU members, thus resulting in ‘mutually adjusted policies over time’ (Seeliger, 1996). Thailand further initiated its own telecommunications policy in keeping with ITU guidelines, thereby cementing the role of the ITU in telecommunications policy transfer and convergence.

In 1886, non-military private citizens were granted access to the telephone service for the first time, starting with a modest 60 telephone subscribers, confined mainly to the upper class (Telephone Organisation of Thailand, 2005b). The first Siamese telephone system, known as ‘Magneto’, had no dial pad and had to be connected through an operator who manually connected lines via a large switch board. This type of telephone was used for over twenty years in Thailand.
In 1907, the telex and telephone systems were further expanded, when the navy imported a Marconi radio transmitter and receiver to assist telex transmission in areas where no cable had been laid (Kansusan haeng Prathet Thai, 1990). At the same time, Thailand was connected to the European continent for the first time via telex. King Rama VI even translated the word ‘radio’ into Thai as ‘withayu’ in 1912, thereby introducing a new word into the Thai dictionary through technology and policy transfer (ibid). In 1913, King Rama VI allowed the navy to establish the radiotelegraph which, once again, was accompanied by the adoption of international practices and standards. A Royal Decree on Radio and Telegraph Usage was drafted in 1914 and provides an early example of policy convergence; that is, the decree provides an illustration of how the development and reform of telecommunications legislation in Thailand involved monitoring and emulating international practice. In 1919, the PTD concluded an agreement with the navy to allow non-military personnel to use the radiotelegraph for the first time.

In 1928, the telephone service was extended domestically beyond Bangkok to nearby provinces, and internationally through direct radio telex links with Europe. At that time there were also about ten radio broadcasting machines (excluding the army, navy and PTD). More radio transmission equipment, manufactured by Telefunken in Germany, was imported by the PTD, leading to direct radio transmission between Thailand and Europe. The government continued expanding and upgrading the telegraph network until 1930, by which time most of the major cities and towns of Thailand were linked with Bangkok. By 1931, the radiotelephone to Europe was available for public use, a service which was then extended to British Malaya, the Dutch East Indies (Indonesia), the Philippines and Singapore. The radiophoto or facsimile was used for the first time in 1931 between Bangkok and Berlin. In 1932, the first automatic telephone exchange (already widely used in developed countries at that time) was established soon after the overthrow of the absolute monarchy. The 1935 Radio Telecommunication Decree replaced previous legislation in response to technological developments, such as the weather forecast service.

The 1930s were a decade of innovation and expansion. Telecommunications in Thailand first developed as an aid to security and the facilitation of government centralisation, and was consequently controlled by the military and government bureaucracy. The expansion of the telegraph network was as important as the expansion of the road and rail infrastructure in consolidating the nation state and facilitating centralised control from Bangkok. Prior to the reign of King Rama V, there existed perpetual administrative difficulties in controlling
outlying provinces where local leaders were powerful and relatively autonomous. With better communications and transportation systems, the central government in Bangkok was more able to assert control in the distant parts.

During the 1930s, Thailand imported technological know-how and equipment from international actors including the United Kingdom and Japan (Kansusan haeng Prathet Thai, 1990). For example, in 1935, the General Electric Company (England) supplied the PTD with the improved ‘Step-by-Step’ telephone exchange, at the then lavish cost of 299,182 baht or £21,198. More automatic telephone exchanges were sent to Thailand in 1936, while Thai technicians were sent to Europe for training. Thus, international education of technical staff became another important element in the policy and technology transfer process. Moreover, the number of telephone subscribers increased from 1,422 lines in 1919 to 3,200 in 1936. By 1937, Thai people could for the first time dial numbers directly from their telephone sets.

By 1936, Thailand was ready to adopt more telecommunications technology, due to an increasing awareness of the importance of telecommunications services in commerce and for personal use. Telecommunications policies were adopted willingly both from formal actors, such as the ITU, and informally through means such as technology ‘lesson-drawing’ or ‘systematically pinching ideas’ (Stone, 2003, p.4). Even at this early stage, the process of policy transfer, policy convergence and policy diffusion had produced outcomes such as policy similarity and policy adaptation. Although Thailand developed its own administrative and legal reforms, it did so in a manner consistent with those of other international actors. Domestic actors that played important roles in the policy transfer included the monarch, the government, the military and the bureaucratic elites who developed and implemented policy agendas and reforms.

**The Expansion of Telecommunications (1938 – 1966)**

During the second phase in Thai telecommunications covers the period from 1938 to 1966 (see Table 5.2), development was initially slowed down by the Second World War (1939-1945), but eventually recovered during the Cold War (1947-1991). This period is characterised by the overall expansion of telecommunications networks that also led to further legal and administrative reforms in Thailand. It was also marked by the import and
development of new technology, especially from Japan and the United States. This led to the expansion and integration of Thailand’s radio communications network with many countries across the globe.

In 1941, under the nationalist Prime Minister Phibulsongkram, Thailand joined Japan against the USA and UK during the Second World War (Wyatt, 1982). As a consequence, Thailand’s communication centres were destroyed by air and sea attacks. Although Thailand was nominally an ally of Japan in the Second World War, the USA successfully argued with the UK and other nations to excuse Thailand from paying reparations. This is due to its viable resistance movement, namely the ‘Seri Thai’ or ‘Free Thai’ (Wyatt, 1982, p.259).

In the 1950s, with the build up of the Cold War, the United States steadily increased its aid to Thailand, prioritising the build-up of Thailand’s transport and communications infrastructure. This was given greater impetus when the US began installing large military bases in Thailand for its struggle against communism in Vietnam, Cambodia and Laos in the 1960s and early 1970s.

Table 5.2 Telecommunications Development in Thailand, 1938 – 1966

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1940-1945</td>
<td>Thailand’s telecommunications infrastructure destroyed during WWII</td>
</tr>
<tr>
<td>1950</td>
<td>Radio communications set up with UK, Singapore, Switzerland, Sweden, China and Hong Kong</td>
</tr>
<tr>
<td>1953</td>
<td>Radio communications set up with Vietnam, Taiwan, India and Japan</td>
</tr>
<tr>
<td>1954</td>
<td>Thai news agencies established in London and Washington</td>
</tr>
<tr>
<td>1954</td>
<td>Telephone Organisation of Thailand (TOT) established as an SOE for providing basic telephone services in Thailand</td>
</tr>
<tr>
<td>1955</td>
<td>Two in one Thai/English typewriter available for public use</td>
</tr>
<tr>
<td>1960</td>
<td>Post and Telegraph Department transferred 47 exchanges with 9,700 lines to TOT</td>
</tr>
<tr>
<td>1962</td>
<td>The beginning of the satellite era in Thailand</td>
</tr>
<tr>
<td>1963</td>
<td>First international telex services to Japan</td>
</tr>
<tr>
<td>1964</td>
<td>Underwater cables installed between Japan and Thailand</td>
</tr>
</tbody>
</table>
1966  Thailand becomes a member of INTELSAT with 0.1 percent share

1976  Government establishes Communications Authority of Thailand (CAT)


Source: Gray et al., 2002; Telephone Organisation of Thailand, 2005b; Kansusan haeng Prathet Thai, 1990; Communication Authority of Thailand, 2004.

On the domestic front, there was a range of technological advancements and new networks established. The PTD opened radio communication with various countries including the UK, Singapore, Switzerland, China, Hong Kong and Sweden in 1950. In 1953, the PTD increased its communications network by linking up with Vietnam (Saigon), Taiwan, India (Bombay), and Japan (Osaka). In 1953, Samarn Boonyaratthabhan invented the two-in-one Thai and English typewriter. The PTD certified this newly invented typewriter and released it for public use in 1955. In 1954, Thai news agencies were set up in London and Washington. During this entire period, the government maintained a monopoly of the telecommunications sector. It set up the TOT in 1954 to build and expand the domestic telephone network in Thailand. The TOT also handled international telephone services until the Communication Authority of Thailand (CAT) was established in 1977.

In 1955, the telex machine was imported from Japan, and a countrywide network was established. In 1961, the first Post and Telegraph Capital Decree was announced to raise funds for PTD. The same year, Thailand imported other items of technological telecommunications equipments and expanded the telegram network internationally to new destinations, including Japan (Osaka) and then Hong Kong, Manila, Hamburg, Singapore, Calcutta and Kuala Lumpur. In 1963, the Japanese government sponsored the installation of a telephotography device (a primitive facsimile machine) through the Ministry of Foreign Affairs and the PTD to broadcast the state visit of Rama IX to Japan. The PTD also started a TV network with Taiwan and Hong Kong.

The following year, the government expanded the phone network by installing a cross bar telephone exchange imported from Sweden. This provided an additional 4,000 telephone numbers, including 1,000 numbers in Chonburi province alone. By this time, the TOT managed 47 telephone exchanges, 9,700 telephone numbers and employed 2,655 staff.
With Cold War tensions building and US involvement in Vietnam increasing rapidly, the US military rented 10 radiotelephones to the Thai government in 1966. Underwater cables were laid in 1964 between Thailand and Japan. The satellite era in Thai telecommunications began in 1962 with the launch of Telstra 1. Eleven nations initially signed up to the International Telecommunication Satellite Consortium or INTELSAT to manage commercial international satellite communications. In 1966, Thailand became the forty-ninth country to join INTELSAT: it was the first Southeast Asian nation to do so. Upon joining, the PTD held a 0.1 percent share of INTELSAT, valued at US $ 200,000.

The technological and policy transfer described thus far brought about far-reaching domestic reforms. This process of administrative and legal reforms, that had started with the establishment of the Telegraph Department in 1883, led to the eventual transformation of the PTD into two independent regulatory bodies: the TOT in 1954 and the CAT in 1977 (Communication Authority of Thailand, 2005). While the PTD had held a monopoly for telephone services, by acting as both a regulator and service provider under the 1934 Telegraph and Telephone Act, the TOT Act of 1954 allowed the government to transfer the responsibility of installing and operating telephone and other value added services to the TOT (Promphrasid, 2005). Internationally, Thailand had now integrated itself even more closely with the telecommunications global network, particularly with the adoption of satellite technology.

**Telecommunications in the Modern Era from 1967**

The modern period of Thai telecommunications dates from 1967 and exhibits several key features. Firstly, it was characterised by the introduction of new telecommunications technology and its wide dissemination across the country. In order to accommodate the expanding and diversifying telecommunications systems, new institutional and legal frameworks would be set up. Secondly, during this period, Thailand’s communications systems became ever more tightly integrated into regional and international networks, thereby strengthening links between Thailand and major international telecommunications centres such as the US and Japan. Thirdly, during the modern phase, telecommunications would become one of the leading industries by value and coverage in Thailand. Finally, it was over
this era that the tensions between a monopolistic state structure and the impetus for expansion and privatisation would come to the fore. Table 5.3 lists the key developments in this era.

A number of events in the late 1960s illustrates the innovations in telecommunications technology and the manner in which these transformations fostered closer links between Thailand and other regions and nations. Notably in 1967, Thailand used the INTELSAT 4 connection with Hawaii to televise Prime Minister Thanom’s visit to the US. In the same year, Thailand was designated the South-east Asian telecommunication’s centre for weather information (Charmonman, 1994, p.208). Soon after, in 1969, INTELSAT made it possible for effective communication between Thailand and major cities in the US, Japan and Hong Kong. The scale and sophistication of telecommunications was further enhanced by the close geopolitical ties forged between the US and Thailand during the Vietnam War. In the shadow of the war, the Thai government agreed to a substantial upgrading of their military-base facilities and logistical systems, which in turn accelerated the transfer of new and improved communications technologies from abroad.

**Table 5.3 Chronology of Telecommunications Development in Thailand, 1967-1997**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>Thailand establishes satellite communications using INTELSAT 4 constellation</td>
</tr>
<tr>
<td></td>
<td>Thailand designated as Southeast Asia’s telecommunication’s centre for weather information</td>
</tr>
<tr>
<td>1969</td>
<td>INTELSAT provides effective communications between Thailand and major cities in the US, Japan and Hong Kong</td>
</tr>
<tr>
<td>1970</td>
<td>INTELSAT provides effective communications between Thailand and many countries including UK, Italy, Spain, Australia and Singapore</td>
</tr>
<tr>
<td>1971</td>
<td>First radio paging service</td>
</tr>
<tr>
<td>1972</td>
<td>First car phone installed</td>
</tr>
<tr>
<td>1975</td>
<td>ISDN direct dial-up service available for provincial areas</td>
</tr>
</tbody>
</table>
Modern Thai telecommunications 1967 – 1997

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>Communications Authority of Thailand (CAT) established to be in charge of postal, telegraph, telex, telephoto and facsimile services, domestic radio links and international leased circuits</td>
</tr>
<tr>
<td>1977</td>
<td>Thai Television Corporation (TTC) disbanded, its functions transferred to CAT</td>
</tr>
<tr>
<td>1979</td>
<td>First facsimile transmission service provided \n100 coin-operated public telephone booths installed</td>
</tr>
<tr>
<td>1980</td>
<td>Thailand adopts fully automatic telephone exchange system; manual telephone exchanges abolished</td>
</tr>
<tr>
<td>1982</td>
<td>20 locations for long-distance public telephone calls installed in Bangkok</td>
</tr>
<tr>
<td>1984</td>
<td>Thailand’s share of INTELSAT increased to 0.49 percent and GTE International contracted to build an earth station near Bangkok</td>
</tr>
<tr>
<td>1986</td>
<td>TOT introduces 470 MHz mobile phone service \nComputerised telephone directory service introduced, reducing time spent on directory assistance to 30 seconds per number</td>
</tr>
<tr>
<td>1987</td>
<td>ASEAN countries install underwater cable system \nThe Internet used for the first time in Thailand</td>
</tr>
<tr>
<td>1989</td>
<td>Telecom privatisation initiated in the form of a build-transfer-operate (BTO) concession, allowing the private sector to operate 4.1 million fixed-line telephones, as well as mobile services and paging \nTOT introduces 24-hour customer-service call centre \nTOT begins using underwater cables for Thailand-Malaysia long-distance calls</td>
</tr>
</tbody>
</table>
Modern Thai telecommunications 1967 – 1997

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Advanced Info Service of Shinawatra Group and Shin Corp win concessions for mobile phones from TOT for Cellular 900 system</td>
</tr>
<tr>
<td>1990</td>
<td>TOT introduces 900 MHz mobile phone service</td>
</tr>
<tr>
<td>1991</td>
<td>Shinawatra given 8 year monopoly contract to launch satellite named ThaiSat</td>
</tr>
<tr>
<td>1991</td>
<td>TelecomAsia given 25 years concession to install 2 million telephone lines for Bangkok Metropolitan Area</td>
</tr>
<tr>
<td>1991</td>
<td>Thai Telephone &amp; Telecom (TT&amp;T) given concession for installing 1 million telephone lines for rural areas</td>
</tr>
<tr>
<td>1995</td>
<td>TOT privatisation plan announced</td>
</tr>
</tbody>
</table>

Source: Gray et al., 2002; Promprasid, 2005; Charmanon 1994.

The 1970s were a period when the government established the institutional and legal framework for an expanding, diversifying and ever more technologically advanced system of telecommunications, driven by increasing public demand. However, the sector was still kept wholly under government control and ownership. In 1969, the PTD had made a first attempt at privatisation, by submitting a proposal to the government to operate as a commercial entity. The government rejected this. In 1973, the PTD sent another proposal to the Ministry of Communications to relieve the government of the responsibility of providing commercial services to the public. Parliament did not consider this application. The government’s responses to these two proposals indicate that it still viewed the provision of telecommunications services as a community service obligation, leaning towards telecommunications regulation rather than privatisation and considering expansion of services to provincial areas as its responsibility. Thus, in 1975, the TOT launched ISDN direct dial-up in several major provinces for the first time. In order to keep up with a rising demand for fixed line telephone services, telephone numbers were all increased to seven digits in Bangkok and metropolitan areas, while regional telephones were increased to 6 digits.
In 1976, the Thai government passed the *Telecommunication Act B.E. 2519* (1976) that empowered the CAT, TOT and PTD to regulate radio frequencies and telecommunication channels. Initially, the CAT was in charge of regulating radio frequencies and the postal services, while the PTD took care of domestic communications. The Act then transformed the PTD into two separate regulatory bodies: TOT and CAT. The PTD had held a monopoly for telephone services, by acting as both a regulator and service provider. The Act also separated the postal service from telecommunications. Realising the importance of satellite technology, the Thai government purchased shares in INMARSAT, a company founded in 1979 with the aim of providing global safety and communications to the maritime and aeronautical communities.

In the early 1980s the proliferation and innovation of telecommunications technologies continued with networks growing even larger. It is in this context that the government of General Prem Tinsulanond announced a policy to privatise telecommunications. However, as Kronghaew (2005, p.32) has remarked, Prem could not deliver ‘proper privatisation quickly’ due to conflicting and ‘vested interests’ of many domestic actors, including bureaucrats, politicians, military leaders and unions:

The vested interests here consisted of high-ranking bureaucrats of the TOT and the CAT, military leaders who were chairmen or sit in the boards of these telecommunications enterprises, the labour unions of these two enterprises whose combined memberships were among the largest in the country, and the political parties or politicians who set up policies at the top. The magnitude of telecommunications services and the benefits involved were so large that indeed it was not possible for the government to even combine the TOT and CAT into one telecommunications enterprise (Krongkaew, 2005, p.32).

Despite these difficulties, the pressure to privatise telecommunications persisted as the 1980s progressed. The government recognised that the expansion of telecommunications was essential if Thailand was to sustain economic development and attract foreign investment. Yet, as discussed in the previous chapter, in the mid-1980s the government was struggling to satisfy demand through an inadequate supply of basic infrastructure. This shortfall was particularly acute in telecommunications, and prior to the Sixth National Economic and Social Development Plan (NESDP) between 1987-91, investment in Thai telecommunications lagged behind that in other basic infrastructure. During the Sixth NESDP, economic growth surged to very high levels, further encouraging demand and exacerbating the shortage of telecommunications services. Amid the economic boom, the waiting list for telephones blew
out to over one million applicants and the number of telephone lines per head of population fell considerably behind the average of other ASEAN nations.

As the public sector could not invest sufficient funds to keep telecommunications expansion in pace with increasing demand, the government felt compelled to enlist private sector participation and investment. The law, however, did not allow private enterprises to own network equipment or assets intended for public service. It was at this juncture that the Build-Transfer-Operate (BTO) scheme was devised to circumvent legislative restrictions (Piché et al., 1997). Under this scheme, private concessionaires were made responsible for mobilising investment funds and installing networks. As soon as construction was complete, the private operator had to transfer ownership of the network to the state organisation that granted it the concession. In return, the private concessionaire obtained an exclusive right to use the network throughout the life of the concession, which ranged from twenty to thirty years.

In the early 1990s, Thailand’s telecommunications network growth was greatly facilitated by BTO agreements between the TOT and CAT and various private firms. It is interesting to note that this BTO scheme was not the only type of organisational structure used for the privatisation of SOEs. In 1994, Salmon Brothers surveyed other frameworks for regulatory reforms that had emerged in various developing countries to address deficiencies in infrastructure and services such as telecommunications.

**Table 5.4 BOT/BTO Designs in Various Asian Countries**

<table>
<thead>
<tr>
<th>Structure</th>
<th>Country</th>
<th>Key Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build-Transfer-Operate (BTO)</td>
<td>Thailand</td>
<td>- Asset transfer after construction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Operated by concessionaire</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Revenue sharing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Finite concession period</td>
</tr>
<tr>
<td>Build-Own-Operate (BOO)</td>
<td>Australia</td>
<td>- Most common</td>
</tr>
<tr>
<td></td>
<td>Hong Kong</td>
<td>- Few restrictions on ownership</td>
</tr>
<tr>
<td></td>
<td>India, Japan,</td>
<td>- Government license required</td>
</tr>
<tr>
<td>Structure</td>
<td>Country</td>
<td>Key Elements</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------------</td>
<td>------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Business Cooperation (BCC)</td>
<td>Philippines</td>
<td>- May have limited life</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>- Agreement to cooperate in a particular project</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- An element of revenue sharing</td>
</tr>
<tr>
<td>Build-Maintain-Transfer (BMT)</td>
<td>Philippines</td>
<td>- Vendor financed network build</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Vendor builds, finances, maintains</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Network leased to operator</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Limited life lease</td>
</tr>
<tr>
<td>Joint Operating System</td>
<td>Indonesia</td>
<td>- Private consortium builds and operates network</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Keep majority of revenues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Finite concession period</td>
</tr>
<tr>
<td>Build-Transfer</td>
<td>PRC, Indonesia</td>
<td>- Equipment supply</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Network may be implemented by vendor/outside party</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Possible revenue sharing instead of direct payment</td>
</tr>
<tr>
<td>Build-Lease-Transfer</td>
<td>PRC</td>
<td>- Networks built by private by companies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lease to local PTTs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Revenue sharing</td>
</tr>
</tbody>
</table>
Structure | Country | Key Elements
--- | --- | ---
- Possible deferment of payments for future conversion to equity

Source: *Piché et al. 1997.*

The Thai telecommunications sector is regarded as a leader in BTO arrangements (Ryan 1997), and as Table 5.4 demonstrates, the Build-Transfer regime has assumed a number of forms in different countries including BTO, Build-Operate-Transfer (BOT), and Build-Lease-Transfer (BLT). The goal of all these schemes is to achieve the efficient and effective setup of infrastructure facilities without the state’s financial involvement.

In sum, the BTO scheme represented a form of quasi-privatisation, enabling the expansion of private sector involvement in telecommunications. Table 5.5 provides examples of BTO arrangements in the Thai telecommunications sector in the 1990s and demonstrates the popularity of this mode of quasi-privatisation. However, although the BTO scheme substantially alleviated shortages in telecommunications, certain problems persisted. With over thirty BTO concessions granted within a span of two years, the scheme generated a tangled telecommunications environment and fostered a cumbersome and complex legal framework widely viewed as an impediment to the liberalisation process. The conditions, rights and restrictions imposed by BTO concessions were at odds with the move towards greater market liberalisation. The TOT stressed that BTO was a temporary strategy to solve the problems of an inadequate telecommunications network and the lack of state capital in the medium term, rather than a means of promoting joint ventures or introducing competition (Nikomborirak, 2004). Moreover, the precarious and unstable coalitions that characterised Thai governments in this period obstructed attempts to push through the infrastructure and legislative reform required in telecommunications. As Ure (1995, p.68) commented:

In the absence of a stable central government the aspirations of the various business, military and political groups to promote a Thai regional hegemony fails to gain coherent expression. But democratic counter-thrusts are also too weak to establish a clear perspective for the development of the country, so Thailand drifts along with a highly imperfect but ‘free’ market, economically attractive to foreign investors, yet with effective planning by government paralysed. The result is infrastructure chaos.
Table 5.5 Examples of BTO Projects in Thai Telecommunications, 1989-95

<table>
<thead>
<tr>
<th>Types of services</th>
<th>Concessionaires</th>
<th>Year</th>
<th>Carrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-line telephone</td>
<td>TelecomAsia (TA)</td>
<td>1991</td>
<td>TOT</td>
</tr>
<tr>
<td></td>
<td>Thai Telephone and Telecommunication (TT&amp;T)</td>
<td>1992</td>
<td>TOT</td>
</tr>
<tr>
<td>Cellular mobile phone</td>
<td>Advanced Info System (AIS)</td>
<td>1990</td>
<td>TOT</td>
</tr>
<tr>
<td>Analogue</td>
<td>Total Access Communication (TAC)</td>
<td>1990</td>
<td>CAT</td>
</tr>
<tr>
<td>Digital</td>
<td>TAC</td>
<td>1993</td>
<td>CAT</td>
</tr>
<tr>
<td></td>
<td>AIS</td>
<td>1994</td>
<td>TOT</td>
</tr>
<tr>
<td>Paging service</td>
<td>Pacific Telesis/Percom Service</td>
<td>1990</td>
<td>CAT</td>
</tr>
<tr>
<td></td>
<td>Shinawatra Paging</td>
<td>1989</td>
<td>TOT</td>
</tr>
<tr>
<td></td>
<td>Hutchinson Telecommunications</td>
<td>1990</td>
<td>TOT</td>
</tr>
<tr>
<td></td>
<td>Matrix (Thailand)</td>
<td>1990</td>
<td>TOT</td>
</tr>
<tr>
<td></td>
<td>Samart Corporation</td>
<td>1995</td>
<td>PTD</td>
</tr>
<tr>
<td>Trunk Mobile</td>
<td>Radio Phone</td>
<td>1992</td>
<td>TOT</td>
</tr>
<tr>
<td></td>
<td>TAC</td>
<td>1992</td>
<td>CAT</td>
</tr>
<tr>
<td>Data communications</td>
<td>Shinawatra Datacom</td>
<td>1989</td>
<td>TOT</td>
</tr>
</tbody>
</table>
Thus, although the role of the private sector had increased substantially by 1996, the privatisation process still lacked the momentum and intensity deemed necessary by reformers. As this section has demonstrated, the Thai telecommunications system expanded considerably over the modern period, with technological innovations and economic growth forcing a rethink of the monopolistic state framework that had prevailed for so much of the twentieth century. By the mid 1990s, the elements were in place for further reframing of telecommunications policy. But it was not until the late 1990s that a convergence of these elements brought together by economic and political events would provide the impetus for the privatisation of the telecommunications, making it an ever more pressing, yet ever more contested item on the policy agenda.

THE SHIFT TO PRIVATISATION: LEGACIES AND CONTEMPORARY ISSUES SURROUNDING PRIVATISATION

Within the Thai telecommunications sector, 1997 represented a critical turning point. This was the year of the Asian Financial Crisis, and its reverberations were felt across all sectors of Thai society – including telecommunications. The crisis only deepened the disparity between the availability of capital and the demand for improved and expanded infrastructure, serving to further underscore the inadequacies of the economic and political structure determining the provision of telecommunications. The perception of an outmoded and ineffectual political order was intensified by the events of 1997, and an environment was created in which liberalising reforms assumed a higher profile than ever before. In addition, the invigorated push for liberalisation and privatisation was reflected in the new Thai Constitution of 1997, with clauses 40, 50 and 87 stipulating that broadcasting and telecommunications could no longer be monopolised.
A further watershed in 1997 was the approval of the Telecommunications Master Plan (TMP). In February of that year, the government of Thailand announced its intentions to liberalise its telecommunications markets by 2006, a move which would align Thailand with the requirements of the World Trade Organisation (WTO) (Thapanachai and Plengmaneepum, 1997). The government believed that by 2006, local operators would be able to compete with new foreign investors who enter Thai market. (Thapanachai and Plengmaneepum, 1997). This commitment, and the deadline it stipulated, represented an important policy shift. The 2006 deadline was inserted into the TMP, along with specific provisions for a new governance structure supporting a liberalised telecommunications sector.

The TMP detailed strategies for the privatisation of the TOT and CAT: the conversion of existing concessions into licences; the opening up of the telecom market to competition through a step-by-step liberalisation process; and the establishment of an independent and impartial regulatory body, the National Telecommunications Commission (NTC), along with principles set forth by the WTO (Ministry of Finance, Government of Thailand, 1998a). In addition, to make the industry more competitive, the country was to be divided into six zones for licensing private firms (Cairns and Nihimborirak, 1997). In the wake of the TMP’s approval, the then Prime Minister Chuan amended the Revolutionary Announcement No. 281 to pave the way for privatisation and to enable new Post and Telegraph Acts. The upshot of these amendments was the revocation of the monopoly power of the government.

In the ensuing years, various strategies and legislative reforms were proposed in order to facilitate the privatisation of various sectors in Thailand including telecommunications. Table 5.6 lists key events in telecommunications in Thailand post-1997. The next important development that followed the TMP was the Master Plan for State Enterprise Reform, approved by the Chuan Cabinet in 1998 (Ministry of Finance, the Royal Thai Government, 1998b). In the same year, the State Enterprise Policy Commission (SEPC) was established to implement the Privatisation Master Plan and jointly consider the issue of concession conversions with the Ministry of Finance (MOF). On 1 September 1998, the cabinet approved the master plan on privatisation as proposed by the Commission on State Enterprise Policy, chaired by Deputy Prime Minister Supachai Panitchapakdi, one of the important actors in the privatisation transfer process.

According to the cabinet synopsis, the privatisation plan was a part of the Economic Assistance Loan that the Thai government had sought from the World Bank. The government
has hired the Arthur Anderson as a project consultant for privatisation since June 1998 (TOT internal documents, 1995; interview with TOT officer, 1999 and 2000). The master plan was completed in consultation with ministries and state enterprises, and is divided into two parts. The first part outlines the master plan’s objectives, roles and responsibilities, legal issues, independent bodies, social and labour problems and public relations. The second part discusses five main sectors, namely telecommunications, water, transportation, energy and others (Ministry of Finance, The Royal Thai Government, 1998a).

**Table 5.6 Key events in telecommunication in post – 1997 Thailand**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Build Transfer Operate (BTO) is the first form of telecommunications privatisation</td>
</tr>
<tr>
<td>1997</td>
<td>New 1997 constitution was passed with clauses to abolish broadcasting and telecommunications monopoly</td>
</tr>
<tr>
<td>1997</td>
<td>Asian Financial Crisis</td>
</tr>
<tr>
<td></td>
<td>Telecommunications Privatisation Master Plan launched in 1997 to conform to WTO 2006 liberalisation commitment after granting of many concessions</td>
</tr>
<tr>
<td>1998</td>
<td>Master Plan for State Enterprise Reform</td>
</tr>
<tr>
<td></td>
<td>Prime Minister Chuan accepts privatisation as one of the conditions accompanying the International Monetary Fund (IMF) bail-out package</td>
</tr>
<tr>
<td></td>
<td>Government renames National Communications Committee (NCC), ‘national regulatory body’ to the National Telecommunications Commission (NTC)</td>
</tr>
<tr>
<td>1999</td>
<td>1999 Corporation Act, allowing state enterprises to be transformed into limited or public limited companies; the TOT thus transferred into TOT Co Ltd, CAT into CAT Telecommunications Co Ltd and CAT Postal Co Ltd.</td>
</tr>
<tr>
<td></td>
<td>Government announces intention to set up independent regulatory bodies and to establish an arbitration mechanism for key sectors such as telecommunications</td>
</tr>
<tr>
<td>2001</td>
<td>The TOT and CAT merged on the stock market</td>
</tr>
<tr>
<td>2002</td>
<td>TOT corporation set up</td>
</tr>
</tbody>
</table>
|      | The TOT raises registered capital to 45 million baht by floating 4.5 billion shares to the

Ministry of Information and Communications Technology (MICT) set up to formulate ICT policies and plans, to promote and develop ICT activities, and to implement national ICT projects.

2003 CAT corporatised into CAT Telecom Public Company Limited and the Thailand Post Company Limited

2004 Senate appoints General Choochart Promphrasid as Chairman of National Telecommunications Commission

2005 TOT Public Corporation established


In sum, towards the end of the 1990s, economic circumstances, constitutional reform, and the development of several master plans combined to create a renewed impetus for the privatisation of telecommunications. Yet the practical realities of implementing reform were considerably more complicated than this neat summation suggests. The privatisation of telecommunications has proven to be a protracted and contested process. How successful, then, was the implementation of proposed reforms, and what factors proved decisive in the outcome? To understand the pace and trajectory of change, it is necessary to delineate the various political actors, social currents, and institutional configurations with interests in the privatisation of Thailand’s telecommunications.

**Factors Driving Telecommunications Privatisation**

**The 1997 Constitution**

In 1997, the new constitution was passed. The liberalisation clauses embodied in sections 50, 87 and 40 stated that business related to broadcasting and telecommunications could no longer be monopolised (Royal Thai Government, 1997a). The government responded by setting up two separate regulatory bodies, the National Broadcasting Commission and the
National Communication Commission (NCC) to regulate radio broadcasting and telecommunications. The appointment of powerful NCC members was highly politicised and it took the government seven years, till 2004, to finalise the appointments (Promphrasid, 2005). In addition to the new constitutional provisions, there have been major legal reforms facilitating privatisation, including the *Telecommunications Business Act B.E. 2544* (2001), introduced to facilitate free and fair competition for the Thai telecommunications industry (Limwuthigaijirat, 2003; Post and Telegraph Department, 2004).

**The 1997 Asian Financial Crisis**

Privatisation was used as an International Monetary Fund (IMF) loan condition during the 1997 Asian Financial Crisis. While this stimulated the privatisation process, it also created strong anti-privatisation sentiment among unions, the SOE management, opposition parties and nationalists, who viewed privatisation as the selling off of a national asset. While official government policy at that time favoured privatisation, there was a growing resistance among state enterprise employees (Sirithaveeporn, 1999). Analysis by the Australian Department of Foreign Affairs and Trade (2000) also supported the view that the 1997 Asian Financial Crisis initially expedited Thailand’s privatisation process in 1998. However, in 2000, privatisation became a government reform agenda that was moved from high priority to a medium one (Department of Foreign Affairs and Trade, 2000).

**International Agencies and Privatisation Policy Transfer**

Many international actors, agencies and corporations have been involved in the process of telecommunications privatisation policy transfer. The advantages of privatisation have been promoted by a stream of papers, publications and reports: from the World Bank, especially the International Finance Corporation (IFC); in the Asia-Pacific Economic Cooperation (APEC) Telecoms Working Group forums; in the General Agreement on Tariffs and Trade (GATT) and General Agreement on Trade in Services (GATS) and WTO debates; in ITU forums; and numerous international telecommunications and information technology trade conferences (Ure and Vivorakij, 1996). For example, the World Bank strengthens relationship by making dialogues with governments as a means of establishing commitment to privatisation (Donaldson, 1995). The World Bank seems to have attained its goal in Thailand with successive Thai governments espousing privatisation as an official position (details
discussed in chapter 4), a matter which demonstrates the strong linkage between international and domestic actors. In 1994, the World Bank estimated that emerging economies would require US$40 billion in investment in telecommunications sector annually until 1999 (World Bank, 1994). To address this state of affairs, the ITU initiated the WorldTel Proposal, aimed at establishing partnerships between governments, private investors, and telecommunications operators to promote telecommunications infrastructure development aimed at benefiting the majority of the world's population without access to basic telecommunications services (Piché et al., 1997). This public-private partnerships method was disseminated over many emerging economies for infrastructure development projects. This method has been customised to address unique legislative and/or regulatory conditions in different countries.

Drahos and Joseph (1995) claimed that the global policy regime is being shaped by powerful actors such as the WTO, core states including the US, EU and Japan and private multinationals. Thailand fits this pattern of having a high degree of interdependency and exposure to the international environment. The WTO is of particular relevance. It came into force on 1 February 1995, replacing GATT, which had governed international trade since the late 1940s (Gillen, 1997). The WTO embodied 50 years of GATT that had liberalised trade and established a significant body of trading rules. While GATT was a trade accord, the WTO was a single undertaking, one which was to accept all the obligations of GATT. Liberalisation of telecommunications was part of the WTO’s agenda.

Thailand has also been influenced by the GATS, formed as a parallel negotiating group to the WTO as a result of the failure to obtain an agreement in services at the Uruguay Round (1986 – 1994). It comprised six sectors, including telecommunications. GATS became part of the WTO to continue negotiations seeking general obligations applicable to all services and, for specific sectors, market access and ‘national treatment’, i.e. foreign services and suppliers must be treated no less than domestic ones (Gillen, 1997). Thailand has been involved with GATS negotiations resulting in telecommunications commitments and exemptions (World Trade Organisation, 2005).

In the past, developing countries received some benefits from GATT codes without having to take up membership; this was no longer the case under the new arrangements (Gillen, 1997). However, developed countries had to commit to greater trade liberalisation than developing countries. During the 10-year transition period before the full WTO was enforceable for most countries, developed countries would keep their markets open, provided that developing
economies fulfilled their own commitment to liberalise trade. However, the Uruguay Round of the WTO was not successful in delivering agreement on trade in services, as applicable to telecommunications.

At present, there is no multilateral commitment required under GATS on telecommunications. GATS only provided for countries wishing to liberalise their market in services, to make unilateral commitments where they saw this as an advantage to their country. For example, a country may wish to privatise part or its entire telecommunications or provide franchises to stimulate competition between investors. It could also open the sector to foreign participation, including participation in bidding for franchises – something that is allowed, but not absolutely required by GATS. These are, at present, solely individual nation decisions. However, Thailand participated in many GATS negotiations and has made several commitments since the 1986-1994 Uruguay Round (World Trade Organisation, 2005).

Pressure towards liberalisation was also applied by the IMF, which imposed liberalisation on Thailand as a condition for loans provided after the 1997 Asian Financial Crisis. Privatisation was therefore one of the conditions in the Letters of Intent from the Thai government to the IMF (see Chapter 4), emphasising Thailand’s commitment to both the WTO and the ASEAN Trade Agreement. On 20 August 1997, the IMF's Executive Board approved financial support for Thailand of approximately US$4 billion over a 34-month period. The total package of bilateral and multilateral assistance to Thailand came to US$17.2 billion. Thailand drew US$14.1 billion of that amount prior to its announcement in September 1999, but in light of the improved economic situation, the government did not plan to draw on the remaining balances. Thailand seemed to accept to undertake privatisation in exchange for the IMF loan. Consequently, Thai authorities adopted many policies in the early stages of its policy reform programme including expanding the private sector’s role in the Thai economy and attracting foreign capital through other reform measures (International Monetary Fund, 2000). Thailand also implemented domestic reforms. In one Letter of Intent sent by the Thai government to the IMF, it was claimed that ‘further progress has been made in the government’s privatisation plan, the major aspects of which were set out in the Master Plan for state enterprise reform’ (Royal Thai Government, 1998e). The plan for defining a regulatory framework to increase competition in key sectors, such as telecommunications and energy, was submitted for Cabinet approval in 1999. In the same year, the *State-Enterprise Corporatisation Act B.E. 2542* (1999), was passed, empowering the government to transform TOT from a SOE into a limited company (Tilleke and Gibbins, 2001-2003).
Increase in Demand and Budgetary Constraints

As the history of telecommunications reveals, throughout the twentieth century SOEs have been indispensable in building infrastructure and enhancing national security. In common with other developing nations, in Thailand it was the public sector that had sufficient capital to develop and build telecommunications infrastructure, giving early SOEs a natural monopoly. Yet, as has been discussed, the inability of the state to provide infrastructure to meet rising demand has become a key issue since the 1980s. Despite the introduction of the BTO scheme, demand has continued to outstrip supply since 1997, making it a major force during telecommunications privatisation.

Several factors have contributed to this increase in demand. Firstly, the proliferation of cheaper technologies has facilitated the spread of telecommunications. For example, the decreasing price of mobile phones means their usage is no longer restricted to high-income earners. The government has appeared to be unable to catch up with technological development and the demand for innovative telecommunications services. A letter from the Director of the TOT to the Permanent Secretary of the (former) Ministry of Transportation, dated 8 November 1996, requested the Permanent Secretary ‘to submit for a consideration of the cabinet a problem of TOT as an SOE that could not adequately supply telephones to match the increasing demand of the public. Consequently, there is a shortage of telephone services’.

It is estimated that in 2002, 17 million mobile phones existed in Thailand to service a population of 62 million: this represents 27 percent of the population. The market has been growing but considerable potential demand remains unmet. Low income earners with an annual income of 60,000 baht (approximately AUD 2,000 or less) and teenagers have been increasingly spending proportions of their income on mobile phone usage (Bank of Thailand, 2005). In the meantime, the mobile phone network has expanded to cover almost the whole of Thailand. With this fast increasing demand for telecommunication services covering wired and wireless technology, the numbers of fixed and mobile subscribers in Thailand have shown marked upwards trends as seen in Figure 5.1.
The demand for telecommunications has also been driven by its increased usage in health, education, the media, and commerce. In particular, wireless technology has played a central role in the health industry. Free Internet access was provided to 15,000 out of a total of 200,000 employees of the Ministry of Public Health (MOPH) in 2002 (International Telecommunication Union, 2002b). However, there is still considerable expansion required. For example, the ITU mentioned that only 92 out of 740 district hospitals had Internet access, while about 9,000 district health centres have access to the Internet. According to the ITU, the MOPH needs to establish a wider network to connect all provincial hospitals. Although the MOPH adopted proposals for this health network in its 2000-2003 IT Master Plan, the ITU noted that the 1997 Asian Financial Crisis had caused delays in approving this Master Plan.

The MOPH launched an online news service with articles and links related to health issues. According to an ITU report (International Telecommunication Union, 2002b), the Food and Drug Administration of the MOPH has successfully implemented an online process that allows companies to register for a license to market new products, thereby expediting the licensing procedure. The online system was been subject to many constraints however,
including inadequate bandwidth. In 1994, the MOPH launched a nationwide telemedicine pilot project to deliver quality health care to remote and rural areas. At the time of writing, this is still in the development stage.

Another field in which there has been considerable growth is electronic commerce. Revenue from it in Thailand has been growing at a fast pace especially in the 2000s (Gray et al., 2002). In 2000, e-commerce was estimated at US$90 million turnover: this was expected to rise to US$2.3 billion in 2004, with an average growth rate of e-commerce revenue of approximately 125 percent annually. Surprisingly, an online ITU survey (Gray et al., 2002) found that 25 percent of potential buyers in Thailand did not make online purchases because they did not have a credit card. If business-to-consumer (B2C) e-commerce was to continue developing, the ITU (International Telecommunication Union, 2002b), suggested the use of substitutes for credit cards, such as ATM bank cards (there were some 20.7 million in 2000 covering 50 percent of the adult population) or prepaid and cash on delivery systems.

Thailand has experienced an explosion in Internet usage. The Internet was used in Thailand for the first time in 1987 (National Electronics and Computer Technology Centre, 2003a). The growth of international bandwidth in Thailand has been more than 200 percent annually since 1995, while the average annual growth in Internet usage was about 58.3 percent from 1999-2003. Thailand is now experiencing inequality in Internet access, whereby 33 percent of Thailand’s Internet users are based in Bangkok and its surrounding areas (ibid).

The examples cited above demonstrate a constantly increasing demand for telecommunications in Thailand in various sectors, including education, health, trade and mass media (International Telecommunication Union, 2002a). The need to meet the escalating demand can be seen as an important reason to involve the private sector in telecommunications. Faced with increasing demand, and eager to fulfil national plans for IT literacy, the government’s monopolistic providers found it hard to catch up with the changing technology and investment requirements. The government realised that the pressure on existing fixed-line and wireless infrastructure needed to be alleviated through the introduction of private operators into the market.
Rapid Innovations in Telecommunications Technologies

In recent decades, a recurrent feature of telecommunications has been the advent of rapidly developing and quickly obsolete communications technologies. In this context, slow-moving state bureaucracy becomes a hindrance, being unsuited to the management of a sector subject to fast changing technologies. Technological transformations raise the level of risk involved in investment, due to the difficulty inherent in predicting which technologies will prove successful and which will not, and hence the greater the risk, the greater the need to spread it across multiple operators (Ure and Vivorakij, 1996). Moreover, with the introduction of cheaper and more accessible forms of telecommunications, new and more competitive markets have opened up. Mobile and wireless technology, for instance, circumvents the intensive capital investments required to install and maintain fixed-line telephony. Technological innovation, in short, has provided an environment more conducive to private sector involvement.

Consequently, from the late 1980s onwards, the Thai telecommunication oligopoly formed strategic alliances with international telecommunication actors as shown in table 5.5 (Ure and Vivorakij, 1996). Both state SOEs, like the CAT and TOT, and private companies started to compete or form alliances among themselves to provide products and services with new advanced technology, while simultaneously integrating themselves more into the telecommunications global network. Private corporations also managed satellite communications and underwater cables. With all these government concessions, private sector participation in telecommunications greatly expanded, and led to the formation of various business groups both with the government and in the private sector. For example, Com Link Corporation jointly invested with the government in the installation of 3,000 kilometres of fibre optics (ibid). The Jasmine & CP Groups also installed underwater fibre optics to link satellites with the cable network (ibid). As this fast-paced technology transfer, liberalisation and wealth generation was occurring, questions remained concerning the real impact of the above changes on Thai stakeholders, and the nature and extent of economic and social benefits that were being generated for the public.
Table 5.7 Strategic Alliances among Thai Telecommunications Service Providers in the late 1980s and 1990s.

<table>
<thead>
<tr>
<th>Company</th>
<th>Partner(s)</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAT</td>
<td>SOTE</td>
<td>IDD, cellular</td>
</tr>
<tr>
<td>TOT</td>
<td>SOTE</td>
<td>Wireline and cellular</td>
</tr>
<tr>
<td>Telecom Asia</td>
<td>Nynex (US)</td>
<td>Wireline in Bangkok</td>
</tr>
<tr>
<td>Thai T&amp;T</td>
<td>NTT (Japan)</td>
<td>Wireline outside Bangkok</td>
</tr>
<tr>
<td>Advanced InfoServices</td>
<td></td>
<td>Cellular</td>
</tr>
<tr>
<td>Total Access Comms.</td>
<td></td>
<td>Cellular</td>
</tr>
</tbody>
</table>

Source: *Ure and Vivorakij, 1996.*

**Regional Positioning of Thailand**

An additional factor driving privatisation has been the aspirations of various political and business elites to make Thailand the telecommunications hub of Southeast Asia. A coalition of business and political interests have espoused telecommunications privatisation as a means of positioning Thailand as the gateway to (and gatekeeper of) the region (Ure, 1995; World Bank, 2005, p.118). Underpinning such arguments are several pragmatic considerations. Firstly, in Asian nations, the rise of China as the ‘factory of the world’ has prompted a more intense focus on the high-level service sector. This requires dense, high-transaction business environments with easy accessibility, thereby underscoring the necessity for a thriving telecommunications sector. A further consideration relates more broadly to the changing role of telecommunications within modern economies. The technological transformation of the industry has changed its relationship to the economy, making it central to economic and industrial development. A prosperous and privatised telecommunications network, in other words, is considered essential in giving Thailand a competitive edge over its neighbours and ensuring that the nation survives in a competitive global economy.
A further critical element in the contemporary political terrain of telecommunications is the dominant role played by private business. Over the latter decades of the twentieth century, the political system of Thailand was transformed: from a military-dominated ‘bureaucratic polity’, in which businesses played a subordinate role to government and state-owned corporations (Riggs, 1966) to a system in which business plays a central role in determining the policy agenda (Ockey, 2004). The factors underpinning this transformation, and their implications for the privatisation of telecommunications, are perhaps most forcefully illustrated by the example of the Prime Minister, Thaksin Shinawatra (Bowornwathana, 2004).

In the 1970s, Thaksin attended military preparatory school and commenced a career in the national police force. In the early 1980s he founded Shin Corporation, marrying the daughter of a top police official and subsequently securing exclusive contracts to supply the entire Royal Thai Police Department with computers. In this era, the Thai government was still dominated by the military and administered by an entrenched civil service. However, with the establishment of the BTO concession scheme, Thaksin used his bureaucratic connections and expertise to secure a host of lucrative telecommunications concessions. As McCargo (2002, p115) has noted, every major enterprise of Thaksin’s began with a government license or concession, and it is through these concessions that Thaksin became the wealthiest man in Thailand. In this sense, he exemplifies an important legacy of the BTO system: the development of wealthy, telecommunications firms and their increased political prominence.

In 1989, Advanced Info Service of the Shinawatra Group (later Shin Corp) won a concession from the TOT for the cellular 900 mobile phone system. Telecom Asia Corporation and TT&T had also received concessions to provide landline services in Bangkok and the provinces, while the Total Asset Communication Public Corp was allowed to provide an 800-megahertz service also called World Phone 800. These corporations received concessions from the CAT and TOT under various brand names, including Paclink, World Page, Phone Link, Posttel, Easy Call and Datanet Project. Krongkaew (2005) compared the magnitude of concessions that were granted by the government for different services and found that concessions granted for paging services in the 1980s and 1990s, amounting to millions of baht, paled in comparison to the recent, multi-billion baht deals for other services, including cellular telephone services, optic fibre, radio telephone services, satellite telecommunications and fixed lines:
…the TOT gave the operations to the Shinawatra Group, whereas the CAT gave the operations to the UCOM Group with the cost ranging from 3,000 to 5,000 million baht each. The biggest contract of all, perhaps, was the granting of concession to operate 3 million numbers of ordinary telephone services to two companies, the CP Group (2 million numbers in Bangkok), and the Jasmine Group (1 million numbers in the countryside). The 3-million number project cost over 13 billion baht with the concession period of 25 years (Krongkaew, 2005, p.32).

Unfortunately for the consumer, these oligopolistic mobile phone concessionaires charged high prices for mobile phones that were popular among high-income earners at that stage. Telecommunications privatisation in Thailand therefore started off providing a wider but not necessarily cheaper mobile service for consumers. It became a means of wealth accumulation for the oligopoly of telecommunications tycoons, including the Shinawatra Group. Unlike other business areas, the high demand for telecom services, especially mobile telephony, kept that sector growing throughout the financial crisis and the economic recession. As a result, Shin Corporation became Thailand’s largest telecommunications corporation, with Thaksin at its helm as Thailand’s richest person (Hewison 2001).

One by-product of this new telecommunications oligopoly is the more powerful role assumed by business in politics. As Ockey (2004, p.151) has remarked, ‘Concessionaires are more likely than any other financiers to enter politics directly to protect and expand their interests.’ Thus Thaksin, upon realizing he lacked the strong political connections of his top competitors in the late 1990s, decided to enter politics in order to become prime minister (McCargo 2002:115). Kronghaew (2005, p.33), referring to statistics compiled by Niyomsilpa (2000), draws the connections between Thaksin’s staggering accumulation of wealth and his meteoric rise to political power:

…the assets of the Shinawatra Group increased from 686 million Baht in 1989 to 55,976 million baht in 1994. For the other two concessionaires, the UCOM Group and the Samart Group, the assets for the same time periods increased from 719 million baht to 19,326 million Baht, and from 313 million Baht to 4,319 million Baht, respectively... With so much money in the family, getting into politics was easy.

Moreover, Thaksin’s background and connections facilitated his political success. As Okey (2004, p.151) has remarked:

[C]oncessionaires enter politics with a certain set of skills and relationships. In seeking concessions, they have learned to work with a variety of politicians from different political parties. Not only does this mean that they understand the political process, but it also ensures that they can effectively work across party lines after joining politics. Perhaps most important of all, however, is their interaction with the bureaucracy in the pursuit of concessions. In working with the bureaucracy, concessionaires develop an understanding of the bureaucratic
process, and how to work through and around it. They also develop relationships with particular bureaucrats who can later be promoted to positions of power and can be counted on to help assert influence over the bureaucracy. When those bureaucrats retire, they can be recruited into the party, and continue to fulfil similar functions.

In the 2001 national election, Thaksin claimed victory as leader of the Thai Rak Thai (Thai Love Thai) Party. Part of his political popularity hinged on promises to defend and promote the interests of domestic business interests. His success, moreover, enabled him to further the interests of his own Shin Corporation. In 2002, an article in *Business Week* revealed Thaksin’s renewal of a contract ‘operated by Shin Satellite PLC (ShinSat), a company controlled by the Thaksin clan’ during a trip to India in March 1992.

Both the government and ShinSat executives deny any connection between Thaksin's trip and the $11 million contract. But opposition politicians smell something fishy. Says Abhisit Vejajiva, deputy leader of the opposition Democratic Party: ‘This is just one of many instances where there are suspicions [of a] conflict of interest’ (*Business Week*, 15 April 2002).

The article compared Thaksin with Italian Prime Minister Silvio Berlusconi, who was also a media tycoon before becoming prime minister. Both leaders provided remarkable illustrations of how privatisation could transfer tremendous wealth to a business person, enabling them to acquire political power as the head of a government, regardless of criticism on the potential for conflicts of interest.

In short, the entanglement of Thaksin Shinawatra’s political and business ambitions illustrates two key features of the relations between business and telecommunications policy. Firstly, it underscores the recursive interactions that take place between telecommunications policy and the Thai social, economic and political context. That is, whilst the BTO scheme was pivotal in establishing and consolidating the economic and political dominance of certain elites, it is these very business elites who now play a central role in shaping and directing privatisation policy. Secondly, whilst the newly dominant coalition of private sector telecom operators has promoted privatisation, the shape and form of the privatisation they support are not necessarily the fully competitive markets envisioned during past administrations.

### Factors Inhibiting or Mediating Privatisation

#### Concession Conversion

An enduring issue complicating privatisation in Thailand relates to concession conversion. It has provided difficult to gain consensus on the payment of revenue shared by private
operators to the state. Although it initially reduced shortages in telecommunications services, the BTO concession scheme retained elements of the monopolistic, centralised structure that had historically dominated telecommunications in Thailand. With the BTO arrangement, the need to convert concessions into licences became a government policy priority. Yet the precise framework for concession conversion remained a source of debate and uncertainty, and despite countless rounds of negotiation between the government and the private stakeholders, consensus has proven elusive.

Shortly after its election in 2001, the Thaksin government stated its intention to rewrite the concession conversion guidelines. This was in response to criticisms that the proposals for the conversion of the more than twenty telecommunications concessions varied greatly from one agreement to another. The government therefore sub-contracted the Chulalongkorn University Intellectual Property Institute to draft a new approach (Prateepchaikul, 2001). The Institute tried to find a solution by offering two new options. The first required the payment of revenue shares by private operators to the state only until 2006, corresponding to the year in which the formation of the NTC would be complete. The second option required private operators to buy back or lease the networks in which they had invested under their build-transfer-operate concessions. These options, however, failed to placate either party in the debate. The operators argued that they should not have to buy or lease the networks when they still had unpaid debts from setting them up, while state agencies believed that the operators would assign unreasonably low values to the assets.

The proposed concession conversion schemes also drew sharp criticism from the media. According to the Bangkok Post newspaper, the existing telecommunications oligopoly in Thailand would find it hard to compete with newcomers to the market due to their debt burden (Prateepchaikul, 2002a):

But even the notion of paying compensation until 2006 does not sit well with some operators, given the amounts involved. In 2000, for example, the Bangkok fixed-line operator TelecomAsia paid 2.74 billion Baht to the TOT. The provincial fixed-line operator TT&T paid 4.26 billion, cellular operator AIS 5.65 billion and TAC 2.52 billion.

At the same time, the public sector was wary of the possibility that the operators would buy back only the assets with a long useful life, and leave high maintenance equipment to the state (Prateepchaikul, 2001). The Chulalongkorn University Intellectual Property Institute's proposals were promptly criticised by SG Research, a consultancy firm hired by the Ministry of Transport and Communications. According to their analysis, the government stood to lose
revenue amounting to at least 290 billion Baht under the Institute’s proposals. (Prateepchaikul, 2002a).

The concession conversion issue remained unresolved. The government thus offered a further suggestion, proposing the use of an excise-tax system. Under the concession revenue-sharing system, the Bangkok fixed-line operator TelecomAsia paid the TOT 16 percent of their earnings, while the provincial operator TT&T Public Company Limited paid 44 percent. Mobile market leader Advanced Info Service’s (AIS) obligation to the TOT was 25 percent, while second-ranked DTAC, TA Orange and Digital Phone each paid an average of 20 percent to CAT, plus 200 Baht per number per month to the TOT as an access charge. Under the excise-tax system, operators would still pay the same amounts, but would be allowed to deduct 2 percent in the case of fixed-line services and 10 percent for mobile phone services from their 16-44 percent contributions to government coffers. Industry analysts were divided on whether the excise tax could really ensure fairer competition. While new actors would also be subject to taxation, the grace period was not determined while they had to compete with dominant actors such as AIS. Moreover, operators would need to pay interconnection charges to gain access to other operators’ networks. The government insisted that the excise tax regime and interconnection fee reforms were merely the first steps to facilitate full concession conversion, which would be undertaken by the NTC. The TOT protested, saying that it had 54,756 million Baht in operating revenue, 14,119 million of which came from concession fees. With the excise tax, the TOT claimed its revenues would shrink to 30 percent of the pre-tax levels. The TOT had projected revenues of 57,315 million Baht in 2003, including 14,296 million from concession fees, and 64,067 million Baht in revenue in 2004. Industry analysts said the reduced revenues would reduce business opportunities for the TOT.

In addition to the policy deadlock, the problem of concessions also prevented accurate estimates of telecommunications share values. Market analysts stated that the TOT and its shares could not be valued properly without some idea of how future revenue streams would be affected by the concession terms. In 2001, the assets transferred to the TOT by operators under build-transfer-operate contracts were worth 100 billion Baht (or one third of the TOT’s total assets). The revenue shares paid by private operators under concession agreements accounted for about of 51.95 billion Baht (or one quarter of the TOT’s revenue).

The Minister for Information and Communications Technology, Dr Surapong Suebwonglee, proposed a third framework in 2002 to replace those put forward by the TDRI and the
Chapter 5  

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Chulalongkorn University Intellectual Property Institute (Tortermvasana and Prateepchaikul, 2003). Dr Surapong proposed four new options to convert concessions by the end of 2002. Again, however, these options were criticised and the proposed framework abandoned. Nevertheless, Dr Surapong pursued the establishment of a regulatory body he considered essential in dealing with the concession conversion problem. On 1 October 2004, such a body, the NTC, was finally set up.

The (NTC) responsibilities include licensing, spectrum management, promotion of free competition, development of tariff, interconnect charge and technical standards, national numbering planning, demand forecast, human resource development, promotion of telecommunication industry, national security, education, universal service obligation, etc. NTC has the policy, according to the National Constitution in 1997 article 87, to promote fair competition, protect consumer and safeguard against monopoly both direct and indirect. Free competition and its competitive safeguards will be ensured to meet the requirements of subscribers (Promphrasid, 2005).

Although the NTC had been promoted as a mechanism for implementing concession conversion, the precise framework for this process remained unresolved.

Domestic Actors

The privatisation of Thailand’s telecommunications is an intensely politicised process, and a host of domestic actors have been implicated in attempting to modify the pace and extent of change. Although telecommunications privatisation has been informed by external organisations and events, it is the involvement of domestic actors that has shaped and modified the ultimate outcome. Several domestic actors have been central in these complex sets of interactions. Details on domestic actors and communities will be further discussed in the next chapter.

Business Affiliation

There has been a growing relationship between business and government in Thailand (Bowornwathana, 2004). The decline of the bureaucratic policy has been in contrast to the rising influence of business, and telecommunications businesses have proven to be particularly influential in the policy process (Bowornwathana, 2005b). In the telecommunications sector of Thailand, there are two major public sector players namely the
CAT and the TOT (Brook Group, 2003) while there are eight major private sector players: the International Engineering Public Co Ltd (the M Group); Jasmine International Public Co Ltd; Loxley Public Company Limited; Samart Group Public Co Ltd; Shin Corporation Public Co Ltd (the Shin Group); TelecomAsia (TA Group); Thai Telephone & Telecommunication Public Co Ltd (TT&T Group); and United Communication Public Co Ltd (the UCOM Group) (ibid). In the early 1990s, the role of private telecommunications started to expand after the TOT and CAT granted concessions to the private operators in order to catch up with increasing demand for high technology telecommunications products.

A discussion of the politics of telecommunications privatisation in Thailand would be incomplete without a mention of the close family ties existing between Thaksin and his family members who form a part of telecommunication oligopoly (Bowornwathana, 2005a; Asian Labour News, 2005). The conflict of state and ‘social issues’ observed by Ure in 1996 is still an integral part of Thai society today and the role of the Thaksin family in the telecommunications sector is a prime example of this phenomenon:

The role of family or military or political or religious ties is usually very strong in Asian societies, accentuated by the relative lack of independent civil institutions through which social matters can be debated. This heightens the potential role of the state as the arbiter of social issues, where private interests lobby directly those who hold power not as an action complementary to their public bids but as an action which substitutes for public declarations of interest. In the case where the state itself becomes a terrain of conflict and struggle between competing social and ideological groups policy-making hits a paralysis (Ure and Vivorakij, 1996).

As mentioned earlier, corporations received concessions from the CAT and TOT to provide a wide range of services including cellular telephone services, optic fibre, radiotelephone services, satellite telecommunications and fixed lines in the 1980s and 1990s. Unfortunately, these concessions created oligopoly market structure for telecommunications services. Privatisation could transfer tremendous wealth to a businessperson who eventually acquired political power as the head of a government despite criticism on the potential for conflicts of interest. Thaksin’s wealth was estimated at ‘AUD $1.2 billion’ in 2002, a time when the AIS founded by Thaksin (Business Week, 2002). As Business Week (2002) pointed out the problem of concession conversion, where, private operators needed to pay their earnings back to the government. These concessions first began to be approved in 1998.

One go-slow government project is the privatization of two state companies that own Thailand's fixed-line phone networks, Telephone Organisation of Thailand (TOT) and Communications Authority of Thailand. However, this requires renegotiating a deal under which private operators pay one-fifth of their earnings to the government-basically as fees for the right to operate phone concessions. One of these private operators happens to be AIS, which is still controlled by the
Thaksin family (*Business Week*, 2002).

As a former telecommunications tycoon, Thaksin advocated ‘Thaksinomics’ (to ‘think globally and act locally’) (*Shinawatra*, 2001) and that the key to the country’s survival in a capitalist-led world was trade. Thaksin’s political campaign based on economic revitalisation and media control became the target of increasing criticism especially when there are many allegations involved with his conflicting role as head of the government but with a family that had a strong telecommunications business affiliation (*Business Week*, 2002).

**Bureaucrats**

Although the influence of the bureaucracy has been curtailed and reconfigured by politicians, it remains influential in a number of ways. Generally, high-ranking officials (starting from the Permanent Secretary of the Ministry down, and including division leaders and director-generals of various departments) have played important roles in determining the pace and extent of privatisation policy reform. In many instances, such bureaucrats have been receptive to privatisation policies. However, there have also been examples of intransigence and a reluctance to relinquish control over telecommunications (*Krongkaew*, 2000 p33-34). Although government bureaucrats must ostensibly follow the decisions or resolutions of their respective boards or ministers, they have sometimes behaved in an uncooperative manner if they dislike or disagree with those decisions or resolutions, employing methods such as concealing information, delaying implementation, or instigating lengthy reviews (*Krongkaew* 2000, pp.33-34). As Ockey (2004) maintains, ‘the bureaucracy remains powerful, with an array of resources it can employ, and it can by no means be said to be wholly subservient to the regime’.

**Politicians**

Politicians have played important roles in many highly politicised telecommunication privatisation issues. For example, in 1999, Chuan gave the task of winning community support for privatisation to Deputy Prime Minister Supachai Panitchpakdi. Supachai admitted that privatisation was actually a policy of previous governments that the Chuan government was ‘forced’ to implement (*Bangkok Post*, 1999). Supachai later won his directorship of the WTO from 2002 to 2005 and was criticised by the media for being a strong advocate of the ‘contentious’ privatisation policy.

With his intention previously focused on winning wavering votes which could give him the coveted directorship of the WTO, Dr Supachai will now have to deal
The following which example demonstrates the interference of politicians in telecommunications privatisation took place on 20 January 2002 when Thaksin attempted to calm public fear. He asserted that in dealing with the concession conversion formula as proposed by the Chulalongkorn University’s Intellectual Property Institute (CPI). He had not attempted to protect his family business (Brooker Group, 2002, p71). However, the opponent of the scheme including Thailand Development Research Institute (TDRI) members, NGOs, the civilians and academics pointed out evidence that the Thaksin government attempted to push through a decision on such a concession conversion (Brook Group, 2002, p70):

…have focused on the figure of THB290.084 billion as “evidence” that the Thaksin government is pushing through a decision on concession conversion in order to attract the most generous compensation deal possible for the benefit of the private sector operators in general, and the SHIN group in particular.

Military

Historically the military has played important role in Thai telecommunications. When the bureaucratic polity was established in Thailand between 1932-1973, political power was in hands of military and bureaucratic elites (Hewison, 1997; Niyomsilpa, S., 2000). After a successful anti-military uprising led by Major-General Chamlong Srimuang took place in May 1992, the military’s role has been curtailed in Thai politics (McCargo, 1997). The decline of the bureaucratic polity paved the way to democracy and restricted the role and power of the military so that it can hardly be considered an influential player in contemporary telecommunications privatisation. In the past, military figures were appointed to managerial positions in SOEs. Nowadays, they are merely figure heads.

Labour Unions

Labour Unions have been prominent in their opposition to privatisation in telecommunications and other sectors. There have been instances when the telecommunications labour unions have joined forces with telecommunications bureaucrats to oppose certain policies that adversely affected their interests (Krongkaew, 2000, p.33). The shift from an environment in which telecommunications was regarded as a basic utility to one
in which it has assumed the characteristics of a mass market commodity is perceived by labour unions as a threat i.e. as a means of subjecting their conditions of employment to the vagaries of a commercially aggressive market economy (Ure and Vivorakij 1995).

The Electricity Generating Authority of Thailand (EGAT) union whose membership is drawn from EGAT employees, is one of the strongest in Thailand. It has played a significant role in organising the protest against utilities privatisation in Thailand (Pinijpaparkarn and Viriyapongsa, 2004; Thongrung, 2004). The Bangchak Petroleum Public Co. Ltd. Employees’ Union (BCPEU) has also engaged in political activism, filing a complaint with the Parliamentary Committee on Labour and Social Welfare against the government of Thailand in 2002 (Parliamentary Committee on Labour and Social Welfare, 2002). The BCPEU alleged that the government had cancelled its registration, and dissolved it as a result of a change of status from a public enterprise to a private company. Finally, the BCPEU won the case. The parliamentary committee requested the government take appropriate measures so that unions’ rights were safeguarded. The committee also advised the government to prevent such a situation from arising again.

**Civil Society**

The decline of the military’s rule in politics has been matched by the rise of civil society, including various academics, new interests groups, non-governmental organisations (NGOs) and farmers’ groups. In addition, the media has fought to expand and defend its freedom, providing a platform for public debate and critical comment. In this context, the issue of privatisation has been a topic of fierce debate, and a broad spectrum of civil society groups have voiced their concerns on policy issues relating to privatisation, and using the media to disseminate their views. These views have varied between actors and over time.

**Entrenched Power Structures and the Concentration of Private Ownership**

As alluded to previously, the current relation between Thai business and politics pivots on an oligopolistic telecommunications sector. Although this situation partly arose because of a policy shift towards privatisation, it has in turn constrained the nature and extent of
subsequent privatisation policy. By 2002, the three largest players in mobile telephony now controlled 98 percent of the market, with a subsidiary of Shin Corporation servicing 60 percent of the mobile users in Thailand (Brooker Group, 2002). In this situation, what has emerged is an instance of ‘client politics’ (Wilson, 1980), with the interests of incumbent private sector telecommunications firms being the main clients influencing government policy:

It is hard to imagine the Thaksin administration wanting to move quickly to create truly competitive market structures rather than seeking to ensure that its corporate clients retain their dominant market positions. We therefore see the current stage of Thai telecom reform as being at a stable point at which privatized markets with oligopolistic structures are the norm (Mesher and Jittrapanun, 2004).

Thus, despite ostensive policy shifts towards greater privatisation, the access to these markets remains constrained by entrenched relations between state and capital and the resulting concentration of private ownership. In 2003, the media expressed opposing views on Thaksin’s business-oriented style of management (Far Eastern Economic Review, 11 December 2003):

Thai Prime Minister Thaksin Shinawatra vowed to bring "CEO-style management" to government upon winning office in early 2001. Now, almost three years into the tycoon-turned-politician's term, the line between big business and government has, indeed, blurred. But not necessarily by instilling a sense of corporate efficiency to the business of government, as candidate Thaksin promised.

**Political Instability**

Privatisation is a highly politicised issue. Politics has been a major factor that determines the pace and nature of the privatisation transfer process. The process is highly controversial and involves conflicting interests among stakeholders. The opposition has pointed not only to Thaksin’s conflict of interest but has also attacked other politicians whose families have significant ownership in telecommunications companies. It has been tagged by some as ‘policy corruption’:

Thaksin's cabinet includes several former leaders of big businesses. While the Thai constitution required them to personally divest all holdings when they entered government, their families have retained interests in everything from entertainment and media to finance and telecoms. For example, while Education Minister Adisai Bodharamik, founder of telecoms firm Jasmine International, no longer has a personal stake in the company, his family still owns a majority stake. Deputy Interior Minister Pracha Maleenont's family owns BEC World, Thailand's biggest multimedia company. (Far Eastern Economic Review, 2003)
In 2005, the transfer of national assets to private operators led to strong opposition from the public media and opposition parties against Thaksin. The anti-privatisation sentiment grew stronger, especially after the sale of Shin Corp, a telecommunications firm of Thaksin’s family, to Singapore Temasa. This was one of the issues that ignited major political unrest (Economist, 2006).

Accompanying the political instability, there has been increasing involvement of the judiciary in determining the validity of privatisation. This is due to the legal complexity of privatising SOEs, especially when opponents of privatisation label SPF as ‘National Assets’. For instance, the Supreme Court of Thailand has recently given a verdict abolishing partial privatisation of the Electricity Generating Authority of Thailand.

Thailand's Supreme Court has scrapped government plans for the Bt34bn ($870m) partial privatisation of Electricity Generating Authority of Thailand (EGAT), a big setback to the wide-ranging plans by Thaksin Shinawatra to sell state-owned assets. In nullifying government decrees authorising the sale of the state-owned power producer, the Supreme Court said some assets that had belonged to EGAT before it was incorporated - including hydro-power dams and other national land assets - could not be legitimately transferred to a public company. The court also said EGAT's existing power to appropriate land could not be put in private hands (Financial Times, 2006).

Political instability under the Thaksin administration dampened attempts to privatise TOT in April 2006, when the Supreme Administrative Court accepted a TOT employees’ petition seeking to void the decree of 2002 that replaced the 1954 TOT Act. If successful, it would reverse TOT status to its original SOE status as stated in the 1954 TOT Act. This incident also demonstrate the strong political views and concentrated action on opposing privatisation from domestic actors such as TOT employees,

TOT's long-delayed privatization plan is on the brink of collapse after the Supreme Administrative Court accepted a petition filed by its employees to revoke the plan and change its status back to a state enterprise (Telecom Asia Daily, 13 April 2006).

CONCLUSION

This chapter traced telecommunications events in Thailand, demonstrating the longstanding practice of policy transfer and the leading roles of government in the process. However, since the late 1980s there have been major changes in the telecommunications sector in Thailand. A
convergence of forces and actors has successfully pressed for liberalisation and privatisation. The government has been unable to defend its monopoly position and has permitted the private sector to enter the industry.

The chapter supports a central theme animating this thesis that privatisation policy transfer has multi-layer and multipaths. The chapter also concludes that the privatisation policy transfer involves both domestic and international actors. The telecommunication privatisation policy transfer outcomes depend upon the interactions among these many actors. The process by which this has taken place is both complex and contested. This chapter has set the scene for a more detailed analysis of the privatisation process in telecommunications in Thailand. This is undertaken in the next chapter, and discusses the tortuous path, which has been taken to achieve total privatisation.
Chapter 6

Policy Networks Concerning Thailand and Its Telecommunications Arrangement

INTRODUCTION

This chapter will continue to scrutinise the process of telecommunications privatisation policy that transfer to Thailand and build on the description and analysis of the previous chapter. In chapter 7, the focus shifts to the domestic and international actors who have been involved in the transfer process. This will involve mapping the telecommunications privatisation policy and network. In the particular case of Thailand, the telecommunications policy network is the conduit of policy transfer, acting as a link between domestic and international actors. These interactions occur within multi-layered policy networks, comprising both domestic and international policy communities, and crossing a multitude of sectoral, industrial, private and governmental domains. As Krongkaew argues (2005, p.32), it is in the context of the interplay between local and international ‘institutional actors’ that telecommunications policy transfer has taken place. It should also be appreciated from the outset that the policy network is not a static entity. Actors may enter and exit, their particular influence may wax and wane, and some participants may change their positions as we shall see in this chapter the policy network is dynamic.
Before mapping the telecommunication policy framework in Thailand, it is necessary to delineate the policy transfer continuum. It is shown in the diagrammatic form (Figure 7.1) and reveals transfer by positions ranging from ‘voluntary’, ‘lesson drawing’, through ‘obligatory’ to ‘coercive’. As is demonstrated in Figure 7.1, policy transfer can take place through the voluntary initiative of recipient governments, if those governments want to draw the lessons from other entities. Rose (1991, p.3) mentions, ‘the process of lesson-drawing starts with scanning programmes in effect elsewhere, and ends with the prospective evaluation of what would happen…’. In the late 1990s, the Thai government drew from international lessons and implemented a variety of privatisation methods: for instance the Build-Transfer-Operate (BTO) granted a concession to a private company, namely the Express and Rapid Transit Authority of Thailand, an SOE (Nikomborirak, 2004). It was also in 1998 that the government granted concessions to private operators of fixed-line telephones using the BTO method, and to private investors to build a specific number of telephone lines for later transfer to the government. Such initiatives can be regarded as voluntary transfer.
Chapter 6 Policy Network Concerning Thailand and Its Telecommunications Arrangement

Moving towards the other end of the continuum is coercive transfer that takes place when governments are compelled to adopt programmes and policies, either against their will, or as part of their obligations (Dolowitz and Marsh, 2000, p.15). Shapiro (1992; quoted in Dolowitz 2000, p. 15) refers to an example of the European Union’s Court of Justice that: 

> can force member states to comply with European policy and directives as part of their obligations to the Union. However, since individual nations voluntarily joined the Union, can any act of the EU be considered coercive in term of policy transfer? At the same time, each nation has influence over the adoption of all EU policies. As such, they actively and voluntarily shape and adopt the edicts of the union; it is for this reason it is best viewed as obligated and, to an extent, negotiated transfer.

Similarly, when the IMF included public sector reforms as a condition for financial assistance after the 1997 Asian Financial Crisis, the Thai government accepted as it was facing mounting economic pressure such as baht currency devaluation and the collapse of financial institutions (Department of Foreign Affairs and Trade, 2000). On 14 August 1997, the Thai government was compelled to attach a Memorandum of Economic Policies, co-signed by the Minister of Finance and Governor of the Bank of Thailand, as a condition to the first Letter of Intent sent to the IMF. The government agreed to increase private participation in key commercial and infrastructure sectors (Royal Thai Government, 1997c) despite domestic resistance from actors including trade unions, SOE employees and individuals from media and some academie (Sirithaveeporn, 1999). Similarly, Thailand as a developing country and member of the WTO had only marginal influence over the adoption of WTO commitments to liberalise its telecommunications sector in 2006 (Telephone Organisation of Thailand, 2005b).

Can such policy transfers that took place in Thailand be regarded as coercive? In 1997, Thailand, with its weak economic and financial condition, was not in a position to refuse IMF’s policies. Yet Thailand has drawn its own lessons from international privatisation experience and voluntarily adopted privatisation policy, especially from the World Bank, since 1961 (Ministry of Finance, Government of Thailand, 2001b). This was partly out of desire for ‘international acceptance’, although real implementation did not take place until 1981 under the Prem government (Savoie, 1994; also see chapter 4). Thus, the Thai transfer process is appropriately viewed as a mix of lesson-drawing, coercive (obliged transfer) and negotiated transfer. As such, It is appropriate to consider Thailand’s privatisation policy transfer as a case of mixed transfer subject to oscillation according to changing environments and the relative strengths of network participants.
TELECOMMUNICATIONS SECTOR POLICY NETWORKS

The telecommunications policy network comprises complex and overlapping domains and relations, encompassing both public and private interests, and creating interconnections between domestic, global and international communities. The network is dynamic and loosely structured, with large fluctuating memberships who express a diverse range of views on various issues. Within the telecommunications sector, there is a host of policy issues, with a plethora of policy communities adopting various stances and pursuing a range of agendas. Whilst this thesis will refer to many of these policy issues, such as industry standards, the main focus will remain on the issue of privatising telecommunications State-Owned Enterprises (SOEs). It is through the telecommunications policy network that policy transfer has occurred, thereby shaping the nature and extent of SOE privatisation.

This thesis utilises the concept of a telecommunications privatisation policy network for Thailand, since the policy transfer of privatisation was facilitated via this network. This overarching issues network in turn comprises many types of policy communities and sub-networks, each of which cluster around certain agendas and issues relating to telecommunications or privatisation. There are two aims in the remaining part of this chapter. Firstly, the various communities involved in the telecommunications policy network will be identified and described. The second aim is to identify the core issues and themes around which these various players and communities coalesce. This will necessarily involve delineating some of the main factors that have created connections between international and domestic policy communities.

**Domestic Privatisation Network**

Within Thailand, a host of actors and organisations are embroiled in the issue of telecommunications privatisation. The previous chapter has described these various players including those who advocate and those who oppose privatisation. This chapter will further describe actors and agencies that switch allegiances depending on the situations. Consequently, the networks that bind these various actors together are fluid and dynamic, comprising shifting coalitions, and punctuated by newly emerging points of conflict.

Over recent decades, the central policy actor within the telecommunications policy network has been the government of Thailand. Telecommunications privatisation has been a
significant item on the political agenda for over a decade, with preliminary moves towards telecommunication privatisation canvassed in the 1980s and pursued with varying degrees of vigour ever since. This has meant that eight prime ministers in twelve administrations have dealt with and produced policy on telecommunications privatisation. The various prime ministers, and their terms in office, are collated below in Table 3.2.

### Table 3.2 Prime ministers of Thailand involved in telecommunications privatisation

<table>
<thead>
<tr>
<th>Prime Minister</th>
<th>Term(s) in Office</th>
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<tr>
<td>Mr. Chuan Leekpai</td>
<td>23/9/1992-19/5/1995</td>
</tr>
<tr>
<td></td>
<td>9/3/2005 – present</td>
</tr>
</tbody>
</table>

*Source:* Various
While government may be portrayed as the central actor in the Thai telecommunications policy network, this is perhaps misleading. Within government there are in fact several principal actors and organisations which are key members of the network. Within Thailand’s regulatory structure and bureaucratic framework, telecommunications falls under the ambit of two government organisations with subsidiary organisations adding to the complexity of government telecommunications regulation and service delivery. The Ministry of Information and Communications Technology (MICT, formerly the Ministry of Transport and Communications) administers telecommunications while the National Electronics and Computer Technology Centre (NECTEC) oversees issues pertaining to ICT (information and communications technology). MICT is responsible for the preparation of telecommunications policies and master plans, including the National ICT Master Plan (2002-2006), approved by Cabinet on 25 September 2002 (National Electronics and Computer Technology Centre, 2003). The NECTEC, on the other hand, focuses on promoting the development and competitiveness of Thailand’s electronics and IT industries through research and development programs.

Under the MICT are the Telephone Organisation of Thailand (TOT), the Communications Authority of Thailand (CAT), and the Post and Telegraph Department (PTD). The TOT is by far the largest in comparison to the other three agencies, and thus regarded as the backbone of the national telecommunications network. It oversees domestic telephone networks; local facsimile and Internet services; telephone services to immediately neighbouring counties; and the establishment of regulations concerning telephone equipment and services. The CAT is responsible for overseas telephony and facsimile services, in addition to operating the national postal service and administering wireless telephony. The PTD’s role is primarily technical and regulatory, concerned with licensing, monitoring and inspecting radio frequencies, as well as setting and upholding standards for radio communications equipment and devices. The PTD also represents the government in international organisations, and provides policy recommendations on national postal and telecommunications services.

Although the responsibilities of these three main agencies under MICT are understood to be separated, in practice their activities frequently duplicate and overlap, making the relations among them complex and their conflicting responsibilities difficult to unravel (Niyomsilpa, 2000; Lewis, 1998). In addition, although they have historically come under government control, they often lack cooperation and compete among themselves (Niyomsilpa, 2000). For instance, outdated Thai telecommunications laws, combined with rapid advancements in
mobile and wireless technologies, have resulted in an overlap in TOT-CAT responsibilities, leading to the duplication of services and eventual competition between the two agencies (Niyomsilpa, 2000, pp. 70-71). Such tensions have sometimes broken out into political battles within the ministry. Moreover, just as the operational duties of these agencies are often entangled, so too are their lines of administrative accountability frequently unclear. Amid present moves towards privatisation, the administrative and regulatory roles of the TOT, the CAT, and the PTD are shifting and devolving to new, ostensibly independent organisations. TOT Corporation Public Company Limited was established in 2002, and embarked on joint ventures with other entities, in addition to becoming a shareholder in other companies (Telephone Organisation of Thailand, 2005a). The CAT has also undergone corporatisation, and is now known as CAT Telecommunications Public Company Limited (CAT, 2004). Given the privatisation of enterprises formerly owned by the state, in 2004 the long-awaited National Telecommunications Commission (NTC) assumed responsibility for much of the regulation and administration of telecommunications. This seven-member committee has been heralded as Thailand’s first independent state telecommunications regulator (Surintatip, 2005). In practice, however, the NTC has been beset by a number of difficulties, with elements of both the TOT and CAT showing reluctance to give up their old authority (Thai Board Of Investment, 2006). And, in many respects, the complex and fraught entanglements that characterises relations between these old and new agencies epitomise the complicated and contested nature of Thailand’s telecommunications policy network.

The NECTEC is also a prominent player in this network. This body serves as a statutory government organisation under the Ministry of Science and Technology. It was established in 1986 in order to support and promote the development of electronic, computing, telecommunications and information technologies through research and development activities (National Electronics and Computer Technology Centre, 2005). In undertaking such endeavours, NECTEC facilitates the transfer of technologies that contribute to economic growth and social development in Thailand. It is thus promoted as a ‘driving force’ for science and technology development, supporting national, economic and social policies. NECTEC is responsible for IT-related law reform by acting as the secretariat office for the six law-drafting committees under the Electronic Transactions Act B.E. 2544 that came into force on 3 April 2002 (Limwuthigajirat, 2003).

NECTEC also played a major role in the preparation of the 2002 ICT Master Plan 2002 that enhances continuous collaboration between public and private sectors as a development
network of information and infrastructure through research and development, education and training. Some of the projects in this Master Plan include e-Commerce as the National Trade Strategy, e-Economics (online economics information), e-Procurement (provision of online information on procurements by public agencies), e-Investment (online information for investment and industrial linkages), e-Company Registration, e-Services (electronic counter services), e-Registration (online citizen registration) and e-Education (or SchoolNet) (Limwuthigajirat, 2003).

In addition to these agencies and organisations, various quasi-governmental agencies and non-government advisory agencies have been active in Thailand’s telecommunications policy network. They include the Telecommunications Association of Thailand (TCT), an agency attracting participation from government, academia, and retired technocrats (Niyomsilpa, 2000, pp. 118-119). This agency has launched media campaigns and discussions to mobilise public support for privatisation, as well as organising national conferences and proposing draft telecommunications bills for consideration by government. Other agencies influential in policy reform include the National Economic and Social Development Board (NESDB), and the Thai Development Research Institute (TDRI). The NESDB is a key national sustainable development coordination organisation that puts together national development plans, based on the guiding principles of national development and management. It also liaises with the United Nation (UN), IFIs and bilateral donors. The TDRI is a well recognised institute for providing technical and policy analysis to assist in the formulation of policies with long-term implications for sustaining social and economic development in Thailand. It is a non-profit, non-governmental foundation that conducts policy research and disseminates results to the public and private sectors.

Civil servants also constitute important actors in Thailand’s telecommunications policy network. These actors populate the TOT, the CAT, the PTD and other organisations in the Thai civil service. Siffin (1966) estimated that the size of the Thai civil service more than trebled from approximately 80,000 in 1932, to approximately 240,000 officials in 1965 (the latter figure not including approximately 200,000 labourers or other non-status employees in government agencies or business enterprises). Since then, there has been massive growth. The Civil Service Commission (CSC) claims that Thailand had over two million civil servants in 2005. The growth of the public service in terms of the number of public servants from 1981 to 1996 is shown in Figure 7.1.
In political rhetoric, privatisation and bureaucratic reform are often linked closely together, with both measures deemed necessary in the pursuit of greater productivity and efficiency. Such rhetoric, however, frequently elicits concern and generates insecurity amongst the numerous government employees. After the 1997 Asian Financial Crisis, there was a movement for bureaucratic reform as part of a package of good governance. Reform programmes began in 1998 (Shinawatra, 2005).

Political parties comprise another group of actors involved in the policy transfer process. Until the 1990s, the majority of Thailand’s political parties were not strongly committed to any particular ideology, nor did they espouse set policy platforms. Instead, Thailand’s political parties were vehicles for promoting the personal interests of particular charismatic politicians or cliques (McCargo, 1997). This is still largely true today. Thai political parties are populist, and tend to have quite similar policies and platforms. Political conflicts are conducted less on the basis of public policy, and more on accusations of personal incompetence. During the past twenty years, the party based composition of political opposition in Thailand has changed with each successive change in government. Yet, even
though the personalities have changed frequently, a coherent and concerted opposition to privatisation has yet to emerge among the parties. The fragmented and ad hoc opposition evinced by political parties has failed to yield any change in the direction of privatisation policy.

SOEs can be seen as both the actors and subjects of privatisation policy, but they have little independent voice in their future status. Prior to 1997, SOEs were managed by various ministries depending on which portfolio they fell into. In 1997, the Ministry of Finance (MOF) established the State Enterprises Policy Office to centrally manage SOEs. As of 2005, there are sixty SOEs under the MOF (Ruangrong, 2005). They remain under either full or majority (at least 51 percent) government ownership. Table 7.2 shows the importance of SOEs as a major source of income to the Thai economy, while Figure 7.3 depicts the SOEs structure under MOF. The role of SOEs is discussed in more detail in chapter 4.

Table 6.2 SOE Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>Value (Million US$ in 2004)</th>
<th>Average annual growth rate since 1999 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>135,000</td>
<td>7</td>
</tr>
<tr>
<td>Debts</td>
<td>103,000</td>
<td>5</td>
</tr>
<tr>
<td>Revenue</td>
<td>45,000</td>
<td>8</td>
</tr>
<tr>
<td>Net Income</td>
<td>4,300</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: *Ruangrong, 2005*
Figure 6.3 SOEs under MOF in 2005

Notes:

- There are nine sectors and 60 SOEs with six listed companies in four sectors
- State ownership is classified into three categories:
  - Full ownership (100%)
  - Majority shareholder (more than 51%)
  - Minority shareholder (less than 51%)/portfolio investor

Source: Ruangrong, 2005
Another domestic actor involved in policy transfer has been the labour unions. In the past, the Thai labour movement participated in the major political movement intended to overthrow the absolute monarchy in 1932. The labour movement suffered under various military dictatorships with many prosecutions of union leaders. By 1973 the Thai economy was in bad shape, and on 14 October 1973, the unions led the way in overthrowing the military. Student protesters also ignited the largest workers' strikes in 1972 (Ungpakorn, 1997). Despite this activism, the Anand government was able to ban state enterprise unions in 1981.

Since that time, the labour unions have been readmitted in SOEs and their memberships have expanded. They are industry based, rather than involving occupations across SOEs. The EGAT union (whose membership is drawn from employees of the Electricity Generating Authority of Thailand) is one of the strongest in Thailand. It has played a significant role in organising the protest against utilities privatisation in Thailand (Pinijparakarn and Viriyapongsa, 2004; Thongrung, 2004). The Bangchak Petroleum Public Co. Ltd. Employees' Union (BCPEU) has also engaged in political activism, filing a complaint with the Parliamentary Committee on Labour and Social Welfare against the government of Thailand in 2002 (Parliamentary Committee on Labour and Social Welfare, 2002). The BCPEU alleged that the government had cancelled the union’s registration and dissolved it as a result of a change of status from a public enterprise to a private company. The BCPEU won the case. The parliamentary committee requested the government to take appropriate measures so that unions’ rights were safeguarded. The committee also advised the government to prevent such a situation from arising again, and stated that the existing legislation might bring about ‘serious consequences’ for the existence of workers' organisations in such cases of conversion from state to private enterprise. The Committee recommended that:

…in the light of its foregoing conclusions, the Committee invites the Governing Body to approve the following recommendations:

(a) The Committee requests the government to take appropriate measures so that the legal personality and registration of BCPEU be restored immediately, if necessary by transferring these rights under the legislation covering the Bangchak company, and to keep it informed in this respect.
(b) The Committee requests the government and the complainant to provide updated information on the trade union and collective bargaining situation in the Bangchak Petroleum Public Co. Ltd. It requests the government to clarify the status, public or private, of the Bangchak Petroleum Public Co. Ltd.
(c) The Committee requests the government to take appropriate measures so that this situation will not arise again in future (Parliamentary Committee on Labour and Social Welfare, 2002).
Another set of actors in the domestic telecommunications policy network consists of consultancy firms which have been highly supportive of the privatisation policy. Although domestic firms have been active in this regard, it is the international firms that have exerted the most influence. Individual consultants can be Thai or foreign. Some Thai consultants work part-time and may be academics. Pricewaterhouse Coopers and Lybrand is a multinational consultancy firm that has thrived in Thailand through the privatisation of SOEs. The Bangkok Post newspaper highlighted the impact of this firm in 1999, when it was identified as a key player in policy issues surrounding EGAT:

Regarding the Pricewaterhouse Coopers' recommendation that EGAT absorb the 5 percent cost of fuel in the Ft mechanism, EGAT deputy governor for finance Boonchoo Direksathaporn said the matter is a burden on the state utility. Explaining the logic of its proposal, the consultant said the recommendation is aimed at motivating EGAT to resort to better fuel management and more efficient fuel utilisation. Meanwhile, Pricewaterhouse Coopers advised that the impact of the foreign exchange component in the debts should be taken from the Ft mechanism since this factor has already been part of the base tariff pricing (Kositchotethana, 1999).

International Privatisation Network

There are many regional and international policy actors and organisations involved in the transfer of privatisation policy from overseas to Thailand, including numerous multilateral financial organisations and multinational corporations. These actors form a policy network for the policy domain of privatisation and telecommunications. This section introduces the principal international actors and organisation including their involvement in the policy transfer process.

International financial institutions have played critical roles in shaping Thailand’s telecommunications and privatisation policies. However, in order to situate them within the context of policy networks and further understand their nature and impact, it is instructive to place these international institutions in a broader context. Until the early 1970s, the most important source of external financing for developing countries was official loans and grants from multilateral and bilateral agencies. From the 1950s to the 1970s, foreign direct investment (FDI) accounted for 20 to 30 percent of developing countries’ external financing, with an increase in the share accounted for by export credits (Akyuz and Cornford, 2000). Foreign aid may assist countries in need but it also engenders many criticisms. While the donors express reservations about the lack of transparency and efficiency in the use of the foreign aid, recipient countries have often felt compelled to purchase goods and services from
the donor countries (starting from tied aid in the 1980s), and are sometimes unhappy about the fees for foreign consultancies that developing countries are required to employ. Academics, non-governmental organisations (NGOs), and political activists also voice longstanding critiques of foreign aid and the activities of both multilateral and bilateral aid agencies. Rondinelli (1983), in reporting on criticisms of World Bank and United Nations aid programmes, claimed that aid programmes were rigid and that foreign aid was not tailored to the needs of developing countries. He insisted that developing nations often lack adequate policies for using aid and that many such programmes embodied unrealistic assumptions derived from neoclassical economics and Western culture.

Significantly, Rondinelli (1983) notes that the 1969 Pearson Commission review of World Bank aid found that ‘if technical and financial assistance was to become more effective it would have to be disassociated from political and military objectives of the aid-givers’ (Rondinelli, 1983, p.49). Despite Pearson’s sound advice, many believe the problems of aid have worsened during the past 35 years. Foreign aid is still being used as a political instrument to further the strategic interests of donor countries. The Economist (2004), citing the latest World Bank Global Development Finance publication, reports that ‘aid is flowing a little more generously, but a lot more strategically… when aid is perceived as a strategic necessity, donors tend to be more generous’. For example, after the end of Cold War, the world’s aid budgets fell from a peak of over US$60 billion in 1992 to just US$48.5 billion in 1997. The Economist, 2004cites the example of Pakistan which, before 11 September 2001, was in economic crisis with foreign debt accounting for 55 percent of GDP and foreign reserves of less than US$1.6 billion. Yet this situation changed dramatically when Pakistan became a valuable strategic ally for the US government in its so-called ‘War on Terror’. After 2001, foreign aid has poured into the country, and Pakistan now boasts a current account surplus and foreign reserves of over $US 11 billion.

The World Trade Organisation (WTO) is a recent but important international player in the telecommunications policy network. This organisation was founded in 1995 and serves as the chief rule-making body for international trade. Its predecessor, the General Agreement on Tariffs and Trade (GATT), was established on a provisional basis after the Second World War in the wake of other new multilateral institutions dedicated to international economic cooperation – notably the ‘Bretton Woods’ institutions now known as the World Bank and the International Monetary Fund (IMF). Another institution, the International Trade Organisation (ITO), was proposed, but the US Congress failed to support this institution, thereby making
GATT the de facto linchpin of international trade. For almost fifty years, the GATT served as the major international arbiter of world trade, negotiating tariff cuts between member states and presiding over trade rules and procedures. Underpinning these rules was the principle expressed in the ‘Most Favoured Nation’ clause: every member nation was entitled to the same trade conditions applying to any other member’s ‘most favoured’ trading partner. And, it is this principle that embodies the concept of ‘multilateral trade negotiations’.

By the 1980s, a growing number of nations were pressing for negotiations to formalise GATT and to make it a more powerful and comprehensive organisation. The result was the formation of the WTO, which was established during the Uruguay Round (1986-1994) of GATT negotiations, and which subsumed GATT. Although developing countries had generally felt that GATT had not been responsive to their special needs, many (including Thailand) played an active role in the Uruguay Round negotiations.

The establishment of the WTO was significant for several reasons, and its formation has in turn proved critical in accelerating the pace and shaping the direction of changes in Thailand’s telecommunications policy. Firstly, the WTO provides a permanent and formally institutionalised arena for member governments to address international trade issues. Its agreements are legally binding and have strong enforcement capability, thus making the WTO a central vehicle for disseminating and implementing economic and social policies across the world. Second, whilst the earlier GATT system had been largely confined to the liberalisation of tariffs and industrial products, the WTO covers a variety of new areas, such as services and intellectual property rights. In this sense, WTO rules extend well beyond border measures and reach deep into domestic regulatory structures, including those pertaining to telecommunications. Indeed, the WTO has identified telecommunications as a sector vital to the liberalisation and development of other service sectors and of national economies more broadly:

Telecommunications was recognised early in the Uruguay Round negotiations… as being important not only because it is a distinct sector of economic activity but also because it is a mode of delivery for other services and for goods, both across and within borders… Countries planning to diversify their economies, with an emphasis on services, recognise the importance for new entrants in these sectors of having easy access to cheap and reliable telecommunications, an objective which can be facilitated under more liberal conditions of delivery of telecommunications services (Tarjanne, 1997, pp.1-2).
Thus, the formation of the WTO has enabled the establishment of an international framework on telecommunications, embodied in the 1997 Agreement on Basic Telecommunications Services (Cowley and Klimenko, 2001). This agreement identifies ‘meaningful market opening in basic telecommunications services’ as ‘one of the highest negotiating priorities in any accession protocol’. It combines binding commitments on market access from its participants with a statement of ‘pro-competitive regulatory principles’, thereby making it a vital driving force in the policy revolution under way in the telecommunications market (Cowley and Klimenko, 2001).

A final dimension of the WTO that makes it central to the telecommunications policy network is its prominent role in developing nations. Developing nations had historically maligned GATT, often regarding it as unresponsive to their needs, or as a mere tool for advancing the interests of wealthier nations (Michalopoulos, 2001, pp.22-37). However, beginning with the Uruguay Round of negotiations, the developing countries’ attitude towards their participation in GATT, and subsequently in the WTO, changed significantly. Many – including Thailand – played an active role in the Uruguay Round negotiations, and expectations were heightened over what the WTO could deliver to developing nations. As Table 7.3 illustrates, during 1982-2000 almost all the 48 new members of the GATT/WTO were developing countries. This increase in membership was most pronounced following the commencement of the Uruguay Round discussions.

Despite the growth in membership and the declared advantages of the multilateral trading system (MTS), for many developing countries the promises and expectations generated by the Uruguay Round remain unrealised. One of the biggest challenges the system poses for developing countries is enacting the legislative reforms that bring them into conformity with WTO requirements. As Naray (2001) has remarked, a critical weakness of the WTO system is its assumption that all countries are similar. The adoption of uniform standards and set procedures, for instance, typically place a heavier burden on developing countries than on industrial countries, with the standards already in place in the industrial countries established as the standards with which developing nations must comply (Finger and Schuler, 2000).

**Table 6.3 Growth of WTO membership and value of world exports**

<table>
<thead>
<tr>
<th>GATT/WTO membership</th>
<th></th>
<th></th>
</tr>
</thead>
</table>
Moreover, whilst the WTO ostensibly provides a consensus-based decision-making system, it has been indicted for failing to acknowledge the pre-existing power and influence of developed nations. Complex negotiations, it is argued, continue to take place on a ‘lopsided playing field’. Although developing nations constitute the majority of the WTO’s membership (over two-thirds of the 150 members), many nonetheless insist that the organisation is biased against their interests, failing to provide trade-related technical support, and enforcing labour and environmental standards that place developed nations at a disadvantage (Sutherland et al., 2001). As Khor (2000) asserts, within WTO forums, ‘the
South’ cannot match the power of ‘the North’, and the system thereby sustains rather than ameliorates the inequalities existing between developed and developing countries.

A further criticism levelled at the WTO is its alleged lack of operational transparency and the inaccessibility of its dispute procedures. It has been argued that the technical and legal complexity of the dispute settlement system makes it difficult for developing countries to effectively utilise the system. This explains why many developing nations have never filed a WTO complaint despite having repeated grounds to do so (Bown and Hoekman, 2005; Busch and Reinhart, 2004). Developing nations typically lack the immense resources and high-level technical expertise at the disposal of the developed nations, and the size of their delegations tends to be smaller than those of the developed countries (Michalopoulous, 2001, pp.158-160). It is also argued that developing nations are excluded from the decisive ‘behind-the-scenes’ negotiations that take place between more powerful players or trading blocs (Michalopoulous, 2001, pp. 164-167). These criticisms, coupled with the lack of transparency characterising negotiations and dispute settlements, constitute key complaints undermining the legitimacy of the WTO.

Yet, despite such criticisms, there can be little doubt that the WTO has operated as a powerful force in liberalising trade networks, exerting a powerful influence on trade negotiations and policy reforms in developing countries, as well as shaping civil society institutions (Sutherland et al., 2001). For these reasons, an understanding of its background and functioning is a vital element in any characterisation of the telecommunications privatisation policy network. For nations such as Thailand, the WTO remains an important – albeit problematic – avenue for policy transfer and participation in the global economy. The WTO has sought to draw attention to impediments associated with trade barriers, as well as advocating the need to elevate the trade agenda over the geopolitical interests of individual nations. In many respects, Thailand serves as a microcosm for developing countries in their dealings with the WTO and other multilateral institutions. It provides an illuminating case study for clarifying the role multilateral agencies play in complex and fraught policy networks.

The International Monetary Fund (IMF) is another important actor in the policy transfer process. Thailand joined this organisation on 3 May 1949, and since then the IMF has increased and expanded its membership to include 184 member countries (see Figure 7.4). Established during the Bretton Woods conference of 1944, the IMF’s original aim was to oversee the international monetary system, and to provide assistance to countries experiencing
severe economic difficulties. Its primary goals now include promoting international monetary cooperation, exchange stability, and orderly exchange arrangements; fostering economic growth and high levels of employment; and providing temporary financial assistance to countries to assist in balance of payments adjustments (IMF, 2005a). In pursuing these goals, the IMF has been a key supporter of the Washington Consensus on global economic policy. This consensus establishes privatisation and liberalisation as key policy objectives, and IMF membership thus draws nations such as Thailand deeper into the international privatisation policy network. In addition, the IMF exercises considerable leverage in developing countries’ domestic policy in times of crisis. In instances such as the Asian Financial Crisis of 1997, the IMF is called in to assist. Member states encountering balance of payment problems may request loans, but are in turn obliged to launch certain reforms, or ‘Structural Adjustment Programs.’ These programmes are predicated on the Washington Consensus, and thereby serve as a means for imposing market-oriented reform, including the privatisation of services such as telecommunications.

**Figure 6.4 IMF Membership Growth, 1945 – 2003 (number of countries)**

![IMF Membership Growth Chart]


However, just like the WTO, the IMF frequently elicits criticism and resentment from governments, NGOs and various groups within developing nations. Such critics maintain that the ‘assistance’ offered by such international organisations merely papers over conflicts and disparities that have not yet been resolved and which are likely to erupt or deepen in the future. As Raffer and Singer (2001) have suggested, organisations and institutions such as the WTO, World Bank and IMF sustain relationships between developed and developing countries that are ‘thoroughly unhealthy.’
The richer countries feel like unwilling dispensers of favour imposing strict discipline as conditions for their favours, using the allegedly neutral Bretton Woods organizations to act as their instruments, overseers and debt collectors, while the poorer countries feel they do not really own the policies imposed on them but that they are beggars who cannot be choosers. The result is predictable: there is popular resistance and unrest in poorer countries and the policies are poorly implemented (Raffer and Singer, 2001, p.14).

Thus, whilst international institutions such as the WTO and IMF are essential components in the telecommunications policy network, their precise role and influence remain a source of debate and contention.

Another important player in telecommunications policy and technology development is the International Telecommunications Union (ITU), which is a part of the UN. The ITU is the world’s oldest international organisation, and now includes 189 member states, over 650 sector members (the world's major telecommunication operators, equipment manufacturers, funding bodies and research and development organisations) and over 50 associations. Thailand became a member of the ITU in 1883, and was recently chosen as the location for the organisation’s Regional Office (ITU, 2005a, 2005b). The ITU’s mission covers technical, developmental and policy issues. Much of its authority derives from its World Conferences which review, revise and adopt the regulations that form the framework for the provision of international telecommunications services.

A policy network is formed not only on a multinational or bilateral basis, but also under the auspices of regional forums and institutions. A somewhat paradoxical feature of the last two decades has been the emergence of a ‘new regionalism’ alongside the intensification of multilateral processes and agreements with a global reach. While seemingly pulling in opposite directions, the centrifugal forces of economic globalisation and the centripetal forces of regionalism reflect complementary dimensions of dynamic capitalist market development (Mansfield and Reinhart, 2003). Thus, growing membership in the WTO has occurred in tandem with an unprecedented increase in formal regional organisations, with new groups emerging and old ones reviving (Page, 2000). Attempts to forge integrated trading areas have intensified since the mid-1980s, with agreements often going beyond commodity trade and standard border protection policies. The new regionalism tends to be more outward-oriented, emphasising improvements in the development and competitiveness of the member countries, while taking full advantage of the opportunities in the rest of the world.
Such trends are manifest across Asia and South East Asia. The regional alliances thus formed typically draw upon similar histories and geographies (Narlikar, 2003). Such similarities and complementarities, moreover, often lead to shared views on policy. In addition, regional alliances can operate as effective collective bargaining groups in larger multinational forums. Thailand, realising its characteristic as a small nation with limited resources, has always engaged in regional alliances throughout its history, and on many occasions has merged both collective and individual benefits in its preferred policy options.

The Asia-Pacific Economic Cooperation (APEC) is one of the most recent yet significant regional networks that Thailand has joined. Thailand joined APEC on 6 November 1989. Membership obliges the government to promote the transparency of its regulatory regime, and to eliminate trade and investment distortion arising from domestic regulations that impede free and open trade and investment in the Asia-Pacific region (Nitiyanant, 1998). Fulfilling the WTO agenda of trade liberalisation has been adopted as a key aim of APEC. In order to realise the WTO objectives for trade liberalisation, APEC nations – including Thailand – have made a commitment to reduce all trade and investment barriers by 2010 for industrialised economies, and 2020 for developing economies (Oxley, 1998).

The Association of Southeast Asian Nations (ASEAN) is an organisation of much longer standing than APEC, and it too has been heavily involved in policy transfer in the region. ASEAN was established on 8 August 1967 in Bangkok by the five original member countries, namely Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei Darussalam joined in 1984, Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999 (ASEAN, 2005b). ASEAN has identified telecommunications as a vital component in its sectoral linkage programmes, with network expansion as a major objective. Sectoral linkages are designed to furnish the technical architecture and frameworks required to connect and fully utilise infrastructure and application systems amongst members.

Discussions have also been held on establishing an ASEAN Broadband Network. Another initiative involves a study of each country’s technical architecture for e-government systems that enhance interconnectivity of design and standards of the national information infrastructure. The ASEAN e-Measurement Forum has been established to develop a comprehensive set of ASEAN ICT indicators which will help monitor progress in the ICT sector in the region. ASEAN has also promoted the e-ASEAN initiative and improved the
ASEAN information infrastructure, as called for in the Hanoi Plan of Action (ASEAN, 2005a).

The ASEAN Telecommunication Regulators’ Council (ATRC) is a forum for telecommunication regulators to discuss strategy, policy, and regulatory matters. The ARTC is the highest governing body for ASEAN telecommunications matters (ASEAN, 2005a). It has in turn set up the ASEAN Telecommunication Senior Officials Meeting (TELSOM), a body which enables senior officers or bureaucrats from ASEAN member countries to discuss telecommunication issues. The ASEAN Telecommunications Ministers signed the Manila Declaration in 2002 to improve ASEAN’s competitive edge in the ICT sector (ASEAN, 2005e). Terms of reference and work programmes have been developed for the five TELSOM working groups on information infrastructure, capacity building, universal access and digital divide in ASEAN, intra-ASEAN trade and investment in the telecommunications and IT sectors, and positive use of the Internet. Under the e-ASEAN Initiative TELSOM set up a range of working groups to handle technical ICT issues. These include working groups concerned with ASEAN Information Infrastructure; Capacity Building Programmes; Universal Access and Digital Divide; Intra ASEAN Trade and Investment; Internet; and e-ASEAN Open Source Software (OSS). The latter has been established to collate and exchange information, and to share best practices in order to provide a cost-effective alternative computer software development.

Although it operates as a forum for south-east Asian nations, the ASEAN network extends beyond the region by maintaining dialogue with many countries including Japan, China, Australia, Canada, the European Union, India, the Republic of Korea, the Russian Federation, New Zealand, USA, and Pakistan (ASEAN, 2005d). Such dialogue spills over into the domain of telecommunications, and ASEAN cooperates with various countries in the field of ICT. Key examples include the ASEAN-Japan workshop on ICT applications for trade promotion; the ASEAN-China seminar on ICT; the symposium on bridging the digital divide with Korea; a project on the establishment of a harmonised legal, regulatory and institutional environments for e-Commerce with Australia; a road map on ASEAN-Korea cooperation outlining many areas of collaboration and coordination, including sharing best practices; promotion of private sector investment; building of trust and confidence, particularly in the area of content development; lowering the cost of IT accessibility; and infrastructure and applications development including policy implementation.
ASEAN is also embedded in wider networks that involve various international and regional organisations and forums. These include the Economic and Social Commission for Asia and the Pacific (ESCAP), the Andean Community of Nations, United Nations Development Programme (UNDP), and the Economic Cooperation Organisation (ECO). The member states of the Andean Community include Bolivia, Colombia, Ecuador, Peru and Venezuela, which have a combined population of more than 110 million, a total GDP of about 300 billion dollars, and a total trade of 80 billion dollars. The Andean Community has already adopted a framework and binding schedule for the liberalisation of basic telecommunications. ECO is an inter-governmental regional organisation established in 1985 by Iran, Pakistan and Turkey for the purpose of sustainable socio-economic development of the member states. In 1992, the organisation was expanded to include seven new members, namely: Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

Regionalism represents an important mode of engagement for development of the world economy. ASEAN members are actively involved in the globalisation process via international organisations and through trade, foreign direct investment, and liberalisation programmes in member countries. During 1973, the ASEAN Geneva Committee (AGC) was formed to coordinate the position of ASEAN members in GATT. The AGC meets formally twice a year and holds informal weekly meetings at ambassador level in the WTO (Narlikar, 2003). ASEAN economies depend heavily on the markets of developed countries, particularly in the trade of ICT equipment. The US and Japan account for 40 percent of ASEAN total trade in 1987, contrasting with 16.7 percent for intra-ASEAN trade (Chirathivat and Murshed, 2001). ASEAN trading partners and the growth of trade among these partners are presented in Table 7.4 and Figure 7.5 below.
### Table 6.4 ASEAN exports by country or Origin of destination, 1994-2004

<table>
<thead>
<tr>
<th>Export destination</th>
<th>Share (%)</th>
<th>1994</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intra-ASEAN</td>
<td>23.7</td>
<td>22.8</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>13.9</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>2.1</td>
<td>7.4</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>0.8</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>2.8</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>-</td>
<td>5.8</td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>14.3</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>20.0</td>
<td>14.3</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>1.8</td>
<td>3.1</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>20.84</td>
<td>15.38</td>
<td></td>
</tr>
</tbody>
</table>

**Total ASEAN Exports, 1994-2004**

![Graph showing ASEAN exports from 1994 to 2004](image)
In terms of investment flow, ASEAN countries increased investment from an annual average of US$3.1 billion in 1982-87 to US$28 billion in 1997, accounting for roughly one-eighth of foreign direct investment (FDI) inflow to all developing economies (Chirathivat and Murshed, 2001). The formation of the ASEAN Free Trade Area (AFTA) provides the potential for further increases in FDI inflows (Chirathivat and Murshed, 2001). In the case of Thailand, an APEC study in 1999 on the influence of trade and growth concluded that the Thai open economy did not necessarily raise total factor productivity; rather, openness stimulated faster capital accumulation (Chirathivat and Murshed, 2001).

Satellite access is another powerful factor in the global telecommunications network. Until recently, satellite systems were the domain of governments and institutions, such as the International Telecommunications Satellite Organisation (INTELSAT) and the International Maritime Satellite Organisation (also known as the International Mobile Satellite organisation, or INMARSAT). These organisations operated as intergovernmental consortiums, owning and managing a constellation of communications satellites providing international telecommunications services (Oslund 2004). Members of these consortiums – including the Thailand government – acquired ownership and investment according to their respective use of services. However, neither INTELSAT nor INMARSAT have been immune to the broader changes that have taken place in the telecommunications industry, namely liberalisation and fierce competition. In the mid-1990s, agitation from the US government and key investors in INTELSAT and INMARSAT, coupled with the WTO commitments to liberalising telecommunications, promoted the privatisation of both these major international satellite organisations, INMARSAT was consequently privatised in 1999, and INTELSAT in 2001. The government of Thailand continues to own shares in these organisations, both of which serve as important players in the telecommunications policy network.

Another critical aspect of the telecommunications policy network is the international strategic alliances existing amongst private sector corporations. Many firms in the telecommunications industry worldwide have sought economies of scale that enhance their competitive advantage, through mergers, acquisitions and alliances. These dominant firms are all from rich countries or regions, including the US and the EU. In the US, the key player Bell Atlantic merged with
Nynex, and then GTE, thereby forming the powerful Verizon Communications. SBC Communications and Bell South formed a joint venture called Cingular Wireless. Further examples of large telecommunication mergers are listed in Table 7.5. These are all very large companies with enormous assets, which operate throughout the world.

As the industry grows, the remaining actors shift to the faster growth areas, such as the broadband, data, wireless and international markets. The top-tier global actors include WorldCom, AT&T, SBS Communication and Verizon Communications. The second tier includes Global Crossing, Sprint Phone Group, Qwest Communication (with merger partner US West and investor Bell South), British Telecommunications PLC and Deutsche Telekom AG (Culpan, 2002).

**Table 6.5 Top Telephone Company Mergers as of August 2000**

<table>
<thead>
<tr>
<th>Companies</th>
<th>Amount (billion $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vodafone</td>
<td>180</td>
</tr>
<tr>
<td>Mannesman</td>
<td></td>
</tr>
<tr>
<td>SBS-Ameritech</td>
<td>109</td>
</tr>
<tr>
<td>Bell Atlantics-GTE</td>
<td>95</td>
</tr>
<tr>
<td>Vodafone-Air</td>
<td>66</td>
</tr>
<tr>
<td>Touch</td>
<td></td>
</tr>
<tr>
<td>AT&amp;T-Media One</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: *Culpan, 2002.*

Developing countries, especially those with high economic growth rates, offer lucrative markets to these global actors. In Thailand the Charoen Pokphand (CP) Group established a subsidiary company, Telecom Asia (TA), to operate a concession which will be elaborated upon in chapter 8. In 1992, NYNEX Network Systems Company, a subsidiary of NYNEX
Corporation of the United States, was selected by TA to be its strategic partner, bringing with it the necessary technical and operational expertise to implement the project. The CP Group is the major shareholder in TA, while NYNEX is the minor one. Another example of multinational expansion is Orange, a French company that has become one of the major telecommunication operators in Thailand.

**Linkages between International and Domestic Policy Communities**

The delineation of the key domestic and international actors reveals that telecommunications policy is caught up in a dense and diverse network, involving a host of agencies, organisations and interest groups. I have argued that a network approach is invaluable in mapping out this policy arena, as it captures the multiple layers and intricacies that are otherwise suppressed in models that depict policy transfer as direct and unmediated. What remains unaddressed in this outline, however, are the factors which bind together the seemingly diverse strands of the policy network. How do the various agencies and organisations interact? What issues and agendas draw domestic and international players together, thereby enabling policy transfer to take place? Whilst such questions will be elaborated further in a subsequent chapter, the remainder of this section will briefly identify and outline several critical means by which linkages have been forged between domestic and international policy communities.

One key factor that has served to bridge local and international policy communities is the need to adopt uniform standards and specifications. The necessity of standardisation is encapsulated in the concept of *interoperability*, defined as ‘the ability of two or more systems or components to exchange information and use the information that has been exchanged’ (Institute of Electrical and Electronics Engineers, 1990). There are many institutions that try to develop a standard universal framework to enable and encourage information sharing and interoperability. Three major bodies have been involved in global telecommunications standards, including the International Telecommunication Union (ITU), International Standard Organisation (ISO) and the International Electro-technical Commission (IEC), with the ITU as the major actor in telecommunications standardisation. (International Telecommunication Union, 2004). Within Thailand, such international organisations have helped in setting up a network of national standards institutes, which in turn work in partnership with other governments, industry groups, business organisations and consumer representatives, thereby creating bridges between public and private sectors (International Telecommunication Union 2004). For instance, the IEC prepared international standards for
electrical, electronic and related technologies, which serve as a basis for national standardisation and as references when drafting international tenders and contracts.

A second factor, which has encouraged interconnections between local and global knowledge networks, is Thailand’s aspiration to be a ‘knowledge-based economy’. Achieving this goal has necessitated the transfer of technology and knowledge from elsewhere. A central institution in the strategy to create this knowledge-based economy has been the National Electronics and Computer Technology Centre (NECTEC). It was established in 1986, following the enactment of the *Science and Technology Development Act of 1991* as a statutory government organisation to develop, support and promote the development of electronic, computing, telecommunications and information technologies through research and development activities. The National Electronics and Computer Technology Centre (NECTEC) has also transferred and disseminated technologies that the Thai government deemed necessary for national economic and social development as set out in the National Economic and Social Development Plans (NESDPs):

Electronic, Computing, Telecommunication, and Information (ECTI) technologies have played a major role as an important mechanism for increasing economic competitiveness. To strengthen the research and development of ECTI, NECTEC set up the Strategic Master Plan on ECTI (2000-2009) as guidance for NECTEC's implementation as well as for transferring technology and products to the industrial sector (Centre for Responsive Politics, 2004).

Another conduit for exchange and transfer between policy communities and policy domains is foreign direct investment (FDI). FDI is defined as ‘investing directly in production in another country, either by buying a company there or establishing new operations of an existing business’ (*The Economist*, 2005). During the late twentieth century, FDI has been increasing steadily in Asian countries. Such investment necessitates the formulation of new policies, and it thus constitutes an important means by which policy can be transferred.

According to the World Bank, over the past few decades, corporations based in one country have increasingly made investments to establish and operate businesses in other countries (Sutherland et al., 2001). Over this period, as financial openness has increased across the world, global flows of foreign direct investment have more than doubled relative to gross domestic product. The flows increased in the 1990s, rising from US$324 billion in 1995 to US$1.5 trillion in the year 2000.
In more recent analysis provided by The World Bank in its *Thailand Economic Monitor* of 2003, private investment had grown more than in the previous year. According to the Thai Board of Investment (BOI), in 2003, there was a significant improvement in the number and value of foreign direct investment applications. The value of total investment applications was 300 billion baht in 2003, in comparison with 240 billion baht in 2002 (World Bank, 2003). Foreign direct investment (FDI) thus plays an important role in the Thai economy. Moreover, an important by-product of FDI is the technology and policy transferred from foreign investors, who form strategic alliances with the local business community and the government. According to the World Bank, FDI has transformed Thailand into a country with substantial ‘financial integration’.

Thailand went from being a country only partially integrated in 1985–87 to one of the most integrated emerging market economies in 1992–94. Indeed, this period was also one during which Thailand received very large and sustained inflows of foreign capital, averaging some 9.4 percent of GDP p.a. during 1988–96 (Alba and Kingebiel, 1999, p.3).

An additional factor which has brought together domestic and international policy actors is the widespread ascendance of policies promoting open market liberalisation. To serve various economic purposes, open market liberalisation is encouraged by rich countries that are in a better position to compete, especially in trade-in-services. Liberalisation is defined as the policy that limits ‘the role of government to the things it can do to help the market economy work efficiently. This can include privatisation and deregulation’ (*The Economist*, 2005).

In 1996, there were 98 liberalizing changes made in the regulatory frameworks for FDI in 65 countries. This is comparable to the number of changes recorded in each of the previous three years (International Labour Organisation, 2005).

Developing countries tend to be more cautious in joining this open market competition for trade-in-service due to their less competitive position. During negotiations in forums such as the WTO or APEC, developing countries persistently emphasise the difference in economic status and thus point to the longer timeframe required for trade liberalisation and market opening. The telecommunications sector of developing nations tends to lag behind that of the developed nations, and OECD countries enjoy a high share of trade-in-services. Sauve and Dihel (2002) have documented the importance of the service sector in OECD countries, noting that it could represent nearly 70 percent of production and employment in OECD while the share of services in global GDP increased by 5 percentage in 1980-1998. This contrasts with low and middle-income economies over the same period was 9 percent. Such
statistics illustrate that although OECD countries have much larger service sectors than developing countries, their rate of growth is higher in developing countries.

The WTO views liberalisation as a means of alleviating such disparities, and has issued papers urging developing countries to ‘push aggressively for the liberalisation of domestic and foreign services markets [and] to commit to multinational rules claiming that trade in policy is a rational policy’ (Mattoo, 2001, p.75). Similarly, Sauve and Dihel (2002) argue that liberalisation has positive impacts on the growth level of Gross Domestic Product for OECD countries, and that telecommunication is the prime driver towards liberalisation. Such assertions are, however, difficult to substantiate. A number of studies have challenged the claims made by proponents of liberalisation, noting that economic modelling and empirical research yield inconsistent or inconclusive results (see Rodrik, 1992; Rodriguez and Rodrik, 1999; Santos-Paulino, 2005). As Rodrik (1992, p. 101) suggests, whilst there are numerous studies and models that show technical efficiency benefits accompany trade liberalisation, there is no shortage of models that yield the opposite result. The upshot is not that liberalisation should be categorically rejected, yet neither should it be embraced as a panacea or cure-all for the economic problems of developing nations. Methods to ascertain the link between trade policy and growth have serious shortcomings, and the ultimate effect of liberalisation is a matter for further empirical investigation rather than autonomic assumption or dogmatic assertion. Whilst liberalisation policy transfer may often benefit rich countries that have a competitive edge in a service sector like telecommunications, the outcome for nations like Thailand remains uneven. Similarly, whilst Sauve and Dihel (2002) conclude that the supply of telecommunications and electricity have become more efficient and cost-effective in OECD countries, there is little empirical evidence to support a similar conclusion in Thailand.

A further mechanism for the transfer of privatisation policy from international to domestic policy communities are the policy advice and lessons derived from research conducted by the IMF and World Bank. The IMF has issued a series of research papers examining the fiscal consequences of privatisation (for one example, see Hemming and Mansoor, 1988). This research has been influential, prompting many countries to adopt privatisation policy in one form or another. More generally, the research products of these organisations reflects a broader geopolitical shift. According to Hemming and Mansoor (1988), the roots of privatisation stem from a decline of socialism and the ascendance of globalisation and international trade and investment. Privatisation has been driven by the increasing economic
globalisation of the world economy. Several decades of rapid growth in international trade and investment have made competitiveness in international trade an essential factor in the ability to create jobs, raise real wages and generate wealth. The private sector is seen to be more efficient and competitive than the public sector, and is thus encouraged as a means of achieving greater competitiveness in a global economy.

Whilst the issue and practice of privatising domestic organisations and enterprises have enabled a greater role for the IMF and World Bank, it has also ignited a backlash from elements of local civil society and labour unions. In many OECD countries, SOEs constitute a major component of domestic economic activity and account for significant employment. As a consequence, privatisation of these SOEs has ramifications for a range of interest groups and stakeholders, frequently eliciting intense debate and opposition. Government policies affecting SOEs are highly politicised, bringing to the fore issues surrounding globalisation, foreign investment and the nature of a country’s relationship to the global polity and economy. In this context, international organisations and forums such the IMF or WTO are often the targets of anti-privatisation groups within Thailand, who have a countervailing political ideology of nationalism, purporting that privatisation equates to national wealth being sold off, often very low prices.

In this sense, the transfer of privatisation policy into and within Thailand generates political conflicts that reflect a struggle between the forces of globalisation and localisation. Several recent examples illustrate this conflict. In 2004, the Thai government’s attempt to divest itself of the Energy Generating Authority of Thailand (EGAT) provoked fierce opposition, resulting in numerous strikes and protests against privatisation policy (Viriyapanpongs and Thongrung, 2004; Thongrung, 2004, Pinijparakarn and Viriyapongs, 2004; Friedman, 2004). More recently, Prime Minister Thaksin’s family sold its 49.6 percent share in one of Thailand’s biggest telecommunications conglomerates to a Singaporean state-owned investment firm. This sale, undertaken on 23 January 2006, incited strong opposition from various sectors of the media, academia, and civil society, culminating in some of the biggest anti-government rallies in over fourteen years. Many Thais resent the fact that a major utility is now owned by a foreign entity, with opponents expressing concern over the erosion of national sovereignty and the growing foreign dominance of the country’s telecommunications industry. Such criticisms follow in the wake of protests opposing Thailand’s free-trade agreements with the US, and a growing indignation amongst some elements of Thai society towards the influence of foreign companies and multilateral institutions. The issue of privatisation and
liberalisation, in short, has a political dimension, drawing local political actors into an engagement with actors in trans-national and global political systems.

It can be seen that a multitude of factors and conditions underwrite and strengthen linkages amongst actors and organisations in the telecommunications policy network. Amongst those factors I have identified is the need for legal and technical standardisation and interoperability; the growing emphasis on the ‘knowledge-based economy’; foreign direct investment; the international ascendancy of neo-liberal market reform; and a shift in global governance structures in which multilateral institutions and organisations are central. A final element that may be added to this broad sketch is the worldwide popularity of privatisation. Whilst understanding policy transfer within networks requires attention to instances of coercive imposition and the voluntary rational choices made by various actors and organisations, it also necessitates a consideration of the broader normative and ideological milieu in which linkages are forged and decisions are made. As Finnemore (1996, pp.2-3) argues with regard to the notion of ‘state interests’:

State interests are defined in the context of internationally held norms and understandings about what is good and appropriate. That normative context also changes over time, and as internationally held norms and values change, they create coordinated shifts in state interests and behaviour across the system… states’ redefinitions of interests are often not the result of external threats or demands by domestic groups. Rather, they are shaped by internally shared norms and values that structure and give meaning to international political life.

In this respect, the international popularity of privatisation fosters a host of shared norms and values that condition and strengthen the linkages made between various players in the telecommunications policy network. That is, the ascendance of neo-liberalism and privatisation is a key dimension in the broader milieu within which policy actors and organisations operate, and in this sense it constitutes a normative and indirect factor rather than a structural mechanism or coercive imposition propelling policy transfer.

Over recent decades, privatisation has been pushed to the forefront of policy agendas across the globe (Ikenberry, 1990; Suleiman and Waterbury, 1990; Collyer, 2003; Henisz et al., 2006). Whilst only twelve countries had started to deregulate or privatise their telecommunications sector in 1980, by 2000 the number had increased to 150 (Henisz et al., 2006). In this context, part of the impetus to join policy networks is derived from normative considerations and the desire to enhance the legitimacy of policies internationally. That is, the participation of many Thai actors in the privatisation policy network is at least in part facilitated by the desire to increase the nation’s international legitimacy by embracing forms
and practices that are prevalent and valued within the global social and institutional environment. A number of theorists have identified the desire of actors ‘not to be left behind’ as a mechanism transferred to the behaviour of state actors from the international system (Holzinger and Knill, 2005, p.785; Meyer et al., 1997; Finnemore 1997; Dolowitz and Marsh, 1997, p.7). As more economies privatise their industries and open up markets previously dominated by state-owned monopolies, the pressure increases on those countries still without a privatisation programme to conform. According to Ikenberry (1990), this factor has proved decisive in drawing domestic actors into international privatisation policy networks.

Despite the prominence of privatisation and its purported elevation to a global policy orthodoxy, the actual extent of privatisation across the globe has been declining since 1998 (OECD 1999, 2001; Mahboobi, 2002). This fall in activity is due in part to the unfavourable market environment, particularly in the ICT sector, and the fact that the most saleable assets have already been sold off (OECD 1999, 2001; Mahboobi, 2002). Nevertheless, the pressure to privatise persists through normative expectations and the conditions imposed by multilateral financial institutions. A key premise underpinning this thesis is that the manner in which governments and policy actors respond to these pressures is not uniform or predictable, but is shaped by local conditions and domestic political dynamics. Regardless, the international prevalence and popularity of privatisation cannot be discounted as a factor propelling and influencing domestic actor’s engagement with privatisation policy networks.

CONCLUSION

The formulation of policy is a multi-dimensional phenomenon. This chapter has sought to provide the groundwork from which a careful and coherent analysis might proceed. Drawing upon a policy network perspective, the chapter attempted to sketch out a theoretical framework that captures the complex, shifting configuration of actors, agencies, themes and initiatives that together make up the policy domain of telecommunications privatisation. Rather than reducing analysis to a singular variable or to discrete instances of transfer, the network perspective enables an understanding of the multiple sites and circuitous pathways through which policy models are communicated, contested, adapted and transferred.
In addition to defining the key terms underpinning network analysis, this chapter has identified some of the key actors and organisations that populate the telecommunications policy network. Like the policy transfer approach discussed in chapter two, the network perspective was designed in the first instance for the analysis of policy making at the national and local levels. Yet policy actors are increasingly enmeshed in processes and relationships that extend across national borders, and the network metaphor neatly encapsulates relations and transfers that are international in scope. Thus, in the second part of this chapter, I have provided an outline of both the domestic and international actors engaged in Thailand’s telecommunications network, and have traced out some of the key factors that bind together the local and international strands of the policy network. Whilst this overview is far from exhaustive in scope, it clearly delineates some of the key players who figure prominently in subsequent chapters.

In sum, telecommunications policy is forged within complex and multi-layered networks, involving both domestic and international actors and organisations, and engaging the interests and expertise of both state and non-state entities and individuals. This theoretical model draws together network analysis and the policy transfer approach elaborated in chapter two. By studying policy transfer through the lens of network theory, it is possible to understand the means by which privatisation policy has been interpreted, reshaped, and transformed in the process of transfer. Moreover, combining these approaches addresses three key concerns, each of which have emerged in the previous two chapters and implicitly frame the remainder of this thesis. Firstly, a recurrent theme in the discussion of policy transfer and policy networks revolves around the relation between structure and agency, or structure and process. Do agents have autonomy in determining the actions responsible for policy change and transfer? Or, is policy change determined by the structures through which agency is given meaning? Or is it a combination of the possibilities and limitations offered by structures as well as the actions taken by agents? More specifically, we will pursue the question of whether the decisions and actions of political elites and policy experts determine privatisation policy in Thailand, or whether it is the outcome of broader structural factors such as economic crises, socio-political transformations, historical legacies, or shifting cultural attitudes. Perhaps, it is a complex interplay between both structure and agency.

The perspective elaborated in this chapter provides a response to these questions. It rests on the assumption that structure and agency are inextricably linked, that we need to take into account both the actions and intentions of individual actors and organisations, and the broader
context within which such actors operate. It is important to understand not only the intentions and interests of policy actors, but also how they are embedded in networks and broader contexts, and how these networks and contexts shape and constrain the actions and understanding of the actors and organisations involved. At the same time, policy networks are not unchanging. As subsequent chapters will reveal, policy networks within Thailand have changed in part because of the strategic decisions of policy elites and organisations, and these strategic decisions have in turn been informed by both exogenous and endogenous factors. Thus, the approach I have adopted seeks to counter both the one-sided preoccupation with agency that often inhibits the policy transfer literature, and the tendency within network analyses towards the reification of networks as fixed structures or as mere configurations of structural locations (Hay, 1998). As Stone (2004, p.561) has suggested, ‘a focus on networks is one approach to reconciling agent-centred policy transfer approaches with the structurally oriented diffusion/convergence studies’.

Two other important insights emerge out of this approach. Just as the theoretical framework the chapter has advocated incorporates elements of both structure and agency, it also points to the need to link both macro- and micro- levels of analysis. This approach has been hinted at within this chapter. Whilst the chapter provided a description of individual actors and organisations implicated in telecommunications policy, it also attempted to characterise some of the broader social, political and economic shifts which have brought these different policy actors together. Accordingly, whilst subsequent chapters will consider fine-grained case studies exploring specific instances of privatisation policy transfer, so too will the broader social and historical context be considered. It is by drawing together the micro- and macro-levels of analysis that a fuller understanding of privatisation policy emerges.

A final insight that arises out of this and the previous chapter relates to the issue of power. In invoking the network metaphor to understand policy transfer, it is important to recognise that networks are not level playing fields, that disparities in power, resources and patronage affect who has access to such networks, and whose voices and perspectives are privileged or marginalised. The network perspective suggests that power is not centralised, that policy formulation is not necessarily a top-down process dictated by political elites. Yet nor is political power merely dispersed or evenly shared. As Stone (2005, p.90) remarks,

Rather than organisational density and diversity disrupting hierarchies and dispersing power, they can also represent new constellations of privatised power. Instead of being civil society manifestations of bottom-up, non-statist globalisation, networks and other formations may be viewed as ‘mutually
implicated’ in the affairs of states and international organisations. 

Thus, issues of power, the dialectic between structure and agency, and the relation between micro- and macro- levels of analysis are some of the key considerations that inhabit the theoretical framework that I have sought to develop in this and the previous chapter. It is the application of this theoretical approach to telecommunications privatisation in Thailand that the remainder of this thesis addresses.
Chapter 7

Telephone Organisation of Thailand
Privatisation: A Case Study

INTRODUCTION

This chapter shifts the focus from viewing telecommunications privatisation at a macro level from the previous chapter to a micro one on a case study of telecommunications privatisation, the telecommunications org. of Thailand (TOT). As an organisation, the TOT has subject to various changes involving or concerning forms of privatisation, nowadays it remains 1000 percent government owned. Thus, it is not privatisation by way of divestment, which is a key form of privatisation. TOT also experienced regular changes of government, successive military coups, the 1997 Asian Financial Crisis and the 2005 uprising against Thaksin. Over this time, the TOT has become one of the major telecommunications players in Asia. Operating as it does now in a competitive marketplace with eight major private firms, and two former public sector organisations, each involved in numerous partnerships and strategic alliances (see table 6.2), the TOT is, in many respects, a challenging example of privatisation in one of Thailand’s key strategic, economic and socially important industries. However, with rapid change in the form of trade liberalisation and privatisation initiatives in the telecommunications sector, the TOT faces numerous challenges in adapting to an unprecedented rate of privatisation policy transfer and reforms driven by the diverse interests of numerous stakeholders. This chapter will commence with an overview firstly of privatisation policy transfer in relation to the TOT, and then with an overview of the international and domestic actors influencing this process. It will then attempt to place all these elements in a historical context by reviewing the transfer and development of privatisation policy and related reform across three chronological stages in the history of the TOT from 1954 to the present.
DATA COLLECTION

This case study uses both primary and secondary sources of data. Primary data were obtained from: personal communication with TOT officers, unclassified official documents, position papers, background papers and cabinet submissions. Secondary data were gathered from publications from government agencies, books, newspapers, journal articles, reports, conference proceedings, bills and online sources. Fortunately, the official government documents produced at the beginning of the TOT privatisation process were made available to the author for detailed analysis. Such documents are important, since they allow the policy transfer process to be understood in the context of Thailand’s socio-political climate. The data covered the period from 1954, when TOT was formed, until 2005, the cut off year of the thesis.

Other secondary data used in this case study are derived from an April 1995 Coopers and Lybrand survey, whereby TOT received 19,965 completed questionnaires from its employees concerning the issue of TOT privatisation. This chapter also makes use of a series of reports prepared for TOT by consultancy firms over a period of 7 months in 1994. The consultancy firms involved in this initial stage of TOT privatisation included Coopers and Lybrand, Morgan Stanley, Lehman Brothers, Merrill Lynch, Skadden Arps, Slate Meagher & Flom, Tisco, and Chula Unisearch (the only local consultancy firm). The government paid THB 24,750,000 (or approximately US$ 990,000 based on the exchange rate at that time) for consultancy fees. This demonstrates a strong link between the government and multinational consultancy firms and one through which the latter can exert their influence on policy formulation.

It is necessary to point out that, in theory, participant observation and in-dept interviews with relevant actors are the best ways to collect data about the policy networks. In reality, it is difficult to interview actors involved due to: sensitivity on telecommunication privatisation issue; lack of clear understanding on privatisation among actors; and cultural barrier among Thai actors who prefer not to discuss the new concept of ‘privatisation’. In most cases, the actors prefer to nominate group leaders to talk on their behalf.

Furthermore, there are considerable barriers to participant observation and in-dept interviews including commercial sensitivity issue, conflict of interests among actors.
Although the privatisation of the telecommunications sector has been undertaken under the auspices of the national government, many of the issues finer details are largely commercial-in-confidence or very politically sensitive to the extent that nearly all of the important decisions and processes are not accessible to the public, nor is it in the interest of active beneficiaries to make such information readily available particularly if the process, from a different perspective, can be perceived as corrupting or benefiting certain parties over others, etc, and the consequences of distributing detailed information into the public sphere can be financially, legally, personally threatening or politically damaging. Access to this level of information would be ideal, but is impractical unless the author was an active participant or a closeted observer.

**TOT AND PRIVATISATION POLICY TRANSFER**

The rapid expansion of Thailand’s telecommunication infrastructure since the early 1900s was facilitated by the transfer of Western technology and expertise, followed inevitably by the transfer of Western policy as the government adopted legal, administrative and bureaucratic reforms that allowed regulation of the expanding sector and integration into the global telecommunications network. While policy reform during the early stages of TOT’s operation was driven largely by the need for expansion and modernisation of infrastructure, much of the more recent transfer of privatisation policy has been driven firstly by the need to comply with coercive reform commitments imposed by the IMF and voluntary commitments to the World Bank and the WTO, and more recently by the need to ensure that the TOT is ready to maintain its dominant trading position in a new liberalised marketplace.

This process of privatisation policy transfer can be seen as having moved through several stages. The first of these dates back to 1961, when a voluntary commitment to adopting the World Bank’s pro-privatisation policies with regard to many SOEs (but not, at that stage, the TOT) was integrated into the first NESDP (see Chapter 4). The second stage started in 1989, as BTO concession arrangements modelled on similar contracts being used throughout different sectors of the economy allowed a number of foreign companies to enter the marketplace as strategic partners within the legal framework of the TOT monopoly. Interestingly, the development of privatisation policy in the form of BTO concessions was largely a domestic affair, driven by the need to supplement the TOT’s capacity to meet growing demand rather than by overt pressure from international interests.
A third stage in the process occurred in the aftermath of the 1997 Asian Financial Crisis, and was a coercive transfer of privatisation policy, conditional on the terms of the IMF bailout package of the same year. This privatisation policy focus was adopted wholeheartedly by successive pro-privatisation governments. As mentioned earlier, in the case of the TOT, the government invested significant sums of money in consultancy reports in an effort to expedite the process of legal, bureaucratic and administrative reforms required to prepare the TOT for corporatisation and privatisation before 2006. With anti-privatisation sentiments growing stronger in Thai politics, especially since 2003 (see Chapter 5), TOT privatisation experienced uncertainty. In March 2006, the TOT privatisation was shattered by the Supreme Administrative Court’s decision to accept a petition filed by TOT employees to revoke the plan and change its status back to a state enterprise. This demonstrates the strong political views opposing privatisation (Telecom Asia Daily, 2006). In addition, privatisation policy transfer and reform has required increased potential foreign investment and ownership. This was highlighted in January 2006 when a House of Senate Committee investigated a radical legislative amendment under Thaksin that increased potential foreign ownership in the telecommunications sector from 25 percent to less than 50 percent. Two days later, Shin Satellite Corporation, owned by Thaksin’s family, sold 49.6 percent of their shares to a Singapore company (House of Senate Committee, 2006). This selling of Shin’s satellite was viewed as a threat to the national security and ignited political unrest.

Recently, there has been a number of privatisation cases filed by those actors who strongly oppose the pro-privatisation government. For instance, in 2006, the Supreme Court gave a verdict to abolish partial privatisation of the Electricity Generating Authority of Thailand (Financial Times, 2006).

The process of TOT privatisation policy transfer can be summarised as follows:

Content: TOT privatisation was a product of a national privatisation policy that was committed to the adoption of content like advanced telecommunications technology and standards;

Delivery method: TOT privatisation involved delivery methods such as the BTO, and conversion to corporation and public limited company;
Chapter 7 Telecommunications Organisation of Thailand Privatisation: A Case Study 183

Filters: throughout the TOT privatisation process, there were multiple layers of policy filters including culture, political system, history, economy, social factors and strategic position in the world; and

Destination (or outcomes): at the time of writing, TOT corporation was awaiting conversion to TOT public limited company – a goal pursued by the government.

The pace of TOT privatisation in Thailand has been gradual, although domestically, the government has shown a strong determination to proceed. TOT as a first case of telecommunications privatisation has gone through significant changes, with actions being taken to convert it from a monopoly to a SOE and finally, in 2005, a public company limited that is solely owned by the government. One of the major influences and reference points for privatisation was the adoption of a new Constitution for Thailand in 1997. The liberalisation clauses embodied in sections 50, 87 and 40 stated that business related to broadcasting and telecommunications could no longer be monopolised (Royal Thai Government, 1997a). The drafting and approval of the 1997 TMP guidelines confirmed with the new Constitution. External pro-privatisation influences came in the form of the World Bank (through the NESDP) and the IMF (through its insistence on privatisation as one of the conditions of its $17.2 billion bail-out package in December 1998). Another important factor that slowed down TOT privatisation, as was the case with privatisation in Thailand in general, was the fact that TOT privatisation was closely linked to a complex political process. It was influenced by the interests (both financial and non-financial) of many stakeholders including the public, the government and business operators. On the national front, there were a number of factors that held back the implementation of the TMP, namely the unsolved problem of concession conversion, lengthy legislative reform, lack of clarity in the modification of contracts for joint operation, problems stemming from concession conversion, and the delayed establishment of the NTC. This complicated implementation of national policy caused delays in TOT privatisation under different political regimes.

KEY PLAYERS IN THE PRIVATISATION OF THE TOT

Throughout the history of privatisation of the TOT there have been numerous actors whose interests have influenced the content and method of privatisation policy development and transfer. Of these, the largest and most influential have been the group of actors who have favoured telecommunication privatisation. All of Thailand’s telecommunication service
providers, and the TOT in particular, have been influenced by major pro-privatisation international institutions such as the World Bank, the WTO and the IMF. The collective influence of these institutions has seen Thailand’s telecommunication sector progress along the path towards privatisation and trade liberalisation since the early 1960s (see Chapters 3 and 4). More recently, however, the TOT-privatisation push has been dominated by domestic political and business interests that have maintained the tempo of privatisation and liberalisation, particularly after the financial crisis of 1997. Since the mid-twentieth century, when state ownership of the TOT was seen as the ultimate solution to the equitable provision of telecommunications services to the Thai populace, successive governments have increasingly looked towards foreign capital in order to meet public demand for infrastructure, and towards Western-style privatisation policy as a means of facilitating this influx of capital. In recent times, it has been nearly impossible to separate the influence of politics and domestic business concerns, as the two are often tightly linked in the networks of the upper echelons of Thai society (see Chapter 5). A case in point is the example of Prime Minister Thaksin, whose family has a strong affiliation with the Shin group of companies, one of the largest of Thailand’s big eight private telecommunications operators and an obvious beneficiary of opportunities arising from privatisation policy transfer and reform.

Amongst the pro-privatisation actors have also been international consulting firms. Contracted at considerable expense by Thai governments from the mid-1990s onwards, these organisations have submitted extensive reports and recommendations that have been instrumental in shaping important legal and administrative reforms such as the TMPs of 1995 and 1997 as well as the SOE Master Plan of 1998. While these companies did not stand to gain immediate material benefits from privatisation of the TOT and liberalisation of the telecommunications sector in the same way as many of the other actors supporting privatisation and reform, it is obvious that their reports and recommendations were made from the basic assumption of superiority of the Western economic model which sees markets as the optimum way to organise many services. Finally, amongst the pro-privatisation players are the domestic and international telecommunications operators themselves. Although these actors were not instrumental in initiating the first steps towards privatisation in the form of the issue by the TOT of BTO concessions, they were very quick to partake on the opportunities offered by the move. As can be seen in Table 6.1, between 1989 and the present, the TOT has established major concession contracts with 19 domestic and international telecommunications operators, as well as joint service ventures with a further 12. With the
conversion of the concession framework to a liberalised marketplace, and with substantial amounts to gain or lose from both the fine details of the policy documents and from the increase in competition, these companies have played and continue to play a significant role in influencing the direction of present day telecommunications privatisation policy transfer and reform.

Table 7.1 The TOT Telecommunications Service Concessions

<table>
<thead>
<tr>
<th>Concessionaire</th>
<th>Type of Service</th>
<th>Contract Term (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance Info Service Public Co Ltd</td>
<td>Mobile telephone</td>
<td>25 (1990-2015)</td>
</tr>
<tr>
<td>TelecomAsia Corporation Public Co Ltd</td>
<td>Fixed-line installation and operation (Bangkok metropolitan area)</td>
<td>25 (1992-2017)</td>
</tr>
<tr>
<td>Thai Telephone and Telecommunication Public Co Ltd</td>
<td>Fixed-line installation and operation (Provincial markets)</td>
<td>25 (1993-2018)</td>
</tr>
<tr>
<td>Com-Link Co Ltd</td>
<td>Optical fibre cable network (ground)</td>
<td>20 (1991-2011)</td>
</tr>
<tr>
<td>Thai Long Distance Telecommunications Co Ltd</td>
<td>Optical fibre cable network (submarine)</td>
<td>15 (1996-2011)</td>
</tr>
<tr>
<td>Advanced Datanetwork Communications Co Ltd</td>
<td>Datanet</td>
<td>10 (1990-2000)</td>
</tr>
</tbody>
</table>
Two other significant groups of actors have been instrumental in shaping Thai telecommunications privatisation policy transfer. These have included largely domestic actors who have either been firmly against privatisation of the TOT, and those whose orientation and influence has swung between support and opposition, depending upon the political, social, economic and cultural circumstances at the time. Amongst the actors steadfastly against privatisation of the TOT have been nationalist political parties, NGOs concerned about the quality of services to underdeveloped and poorly represented regions under a privatised system, and, perhaps most significantly, workers’ unions which have protested loudly against privatisation out of concern for TOT employee welfare. While the unions have not altered the general direction of privatisation policy transfer and reform, they have arguably impacted on the pace and the finer details of this reform, causing governments and TOT administrators to invest significant time and effort in assuring workers of the benefits of a privatised system.

Finally, there is a group of actors who have varied between supporting and opposing the major players in the pro-privatisation camp under changing circumstances. Key actors amongst this group have included the media, academics and, at various times, bureaucrats and opposition parties. Factors that have influenced the orientation of various members of this

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Service Type</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Broadband Technology Co Ltd</td>
<td>Data transmission service on local network</td>
<td>25 (1998-2023)</td>
</tr>
<tr>
<td>Lenso Datacom Co Ltd</td>
<td>Data transmission service on local network</td>
<td>25 (1999-2024)</td>
</tr>
<tr>
<td>Infotel Communications (Thailand) Co Ltd</td>
<td>Audiotex</td>
<td>15 (1999-2014)</td>
</tr>
<tr>
<td>Thai Audiotex Service Co Ltd</td>
<td>Audiotex</td>
<td>15 (1999-2014)</td>
</tr>
<tr>
<td>Samart Info Media Co Ltd</td>
<td>Audiotex</td>
<td>15 (1999-2014)</td>
</tr>
<tr>
<td>Teleinfo Media Co Ltd</td>
<td>Directories</td>
<td>10 (1996-2005)</td>
</tr>
</tbody>
</table>

Source: *The Brooker Group, 2002*
group have included the state of the TOT’s telecommunications infrastructure development and coverage along with numerous other political, social, cultural and international concerns. To give a recent example, the move towards a full sale in early 2006 of the Shin Group to a Singaporean company by the family of Prime Minister Thaksin caused a major public outcry and surge in nationalist sentiment across many sectors of Thai society that may have a negative impact on the current Thai government and on privatisation.

On one hand those who supported TOT privatisation, including government, business interests, bureaucrats, and some academics, have pointed to the benefits of TOT privatisation policy transfer, including TOT capital requirements to catch up with rapidly changing technology and improved services. On the other hand, those who opposed privatisation, including nationalists, unions, the media, opposition parties and some academics, have pointed out the circumstances that made TOT privatisation policy transfer less favourable. These included:

Recurring problems with concession conversion;

Transfer of wealth from SOEs to the domestic telecommunication oligopoly and foreign investors, while the majority of the Thai population lacks the financial capacity to own shares in the stock market;

Nationalistic sentiment of losing a national asset to foreign ownership. This has been aggravated by the sale of Shin Corporation, owned by the Thaksin family; and

Social issues, especially unequal access to fixed lines that exists in rural and remote areas.

TOT CASE STUDY

The following case study is intended to provide a chronological narrative of TOT’s path towards privatisation across three significant periods in the company’s history. Particular attention will be paid to the relationship between TOT privatisation and policy transfer, with an emphasis on the role of international institutions such as the World Bank, the IMF, multinational consulting firms and domestic and international telecommunication companies, stressing the interaction of these institutions with important political and bureaucratic actors within Thailand. Before beginning this history however, a brief overview of the current and future situation of the TOT will be presented.
An Overview of the TOT

The TOT has a long history as the dominant player in Thailand’s telecommunications sector: from establishment as an SOE in 1954 (Telephone Organisation of Thailand, 2005c); to corporatisation in 2002 (Telephone Organisation of Thailand, 2005b); and lastly to the attempt to list the TOT as a public company in 2005 (Telephone Organisation of Thailand, 2005a) in preparation for liberalisation of the Thai telecommunications sector in 2006. Currently, the TOT Corporation is Thailand’s largest telecommunications provider, with assets of over THB 260 billions, a workforce of around 20,000, 15 million mobile and 8.7 million fixed line subscribers, and a net operating profit of over THB 4 billion for the financial year to July 2004 (Telephone Organisation of Thailand, 2004). Examination of Figure 6.1 shows the growth of business and revenue for the TOT from the early 1960s to 2004. The figure shows an exponential growth in both service capacity (in terms of fixed lines and, from 1995, of mobile subscribers), and revenue (in terms of net profit) up until the 1997 Asian Financial Crisis. Clearly, the company was badly hit by the crisis in terms of its bottom line, with a huge slump in operating profits, from nearly THB 24 billion (US$) in 1997 to less than THB 2 billion in 1999. And while net profits have recovered somewhat from this level to stabilise at around THB 4 billion (US$) since the year 2000, it seems likely that the increased costs of business involved in keeping pace with rapid technological advancement and regulatory compliance as well as heavy competition from a newly liberalized marketplace may limit profit growth for some time. However, both fixed line capacity and mobile subscription have continued to grow right through the economic crisis, with mobile subscription rates in particular rocketing from less than 500,000 in 1999 to over 15 million in 2004.
Figure 7.1 Growth of TOT revenue and business from 1967 to 2004.

Note: Data for missing years were unavailable.

While the history of privatisation of the TOT can be considered gradual thus far, there are numerous significant challenges and uncertainty facing the company in the near future. These include the imminent liberalisation of the marketplace along with the sharp increase in competition from both innovative new domestic companies and large and experienced multinational companies that the privatisation reforms will attract. Along with these challenges will come the increased need for capital to retain a competitive edge in both research and development and in the construction and implementation of ever-advancing telecommunications technology.


1954: TOT’s Monopoly

Since the first telephone line was set up in the interest of national security in 1881 during the reign of King Rama V, there has been a growing demand for telecommunications access and advanced telecommunications technology. However, as outlined in Chapter 5, the development of telecommunications in Thailand during the pioneering stage of the late
nineteenth and early twentieth centuries was limited. To illustrate, by the time of the Telegraph and *Telephone ACT B. E. 2477 (1934)*, 48 years after the launch of the PTD’s public telephone system in 1886, the telephone network in Thailand had grown to a mere 3500 telephone lines, with services concentrated in the capital (Brooker Report, 2002). While infrastructure continued to expand, with the introduction of improved foreign technology over the following decade, public access to telephone services remained severely restricted, particularly for those in rural areas. Development of the system was also set back by the destruction of a large part of Thailand’s telecommunications infrastructure during the second world war.

In the new political, economic and social climate of the post-war era, the Thai government passed the *Telephone Organisation of Thailand ACT B. E. 2497 (1954)* (Prud’homme, 2000). This Act enabled the establishment of the Telephone Organisation of Thailand (TOT) as a SOE under the Ministry of Transport and Communication (MOTC, formerly the Ministry of Communication) (Post and Telegraph Department, 2004a), and the transfer of responsibilities related to installation and delivery of telephone and telephone-related services from the PTD to the new enterprise.

**1960s: TOT Integration to Global Telecommunications Networks**

In the 1960s, with a new staff and a significant budget bolstered by increasing foreign aid investment in Thailand, the TOT set about rebuilding, updating and expanding telephone infrastructure and services in the Bangkok metropolitan area. At the same time, a fledgling provincial telephone system was being developed by the PTD, with installation of telephone lines and exchanges in major regional centres until 1969, when these services were also placed under control of the TOT. At this point, with the PTD’s role in Thai telephony becoming largely regulatory, the monopoly powers granted to the TOT by Section 16 of the *Telephone Organisation of Thailand ACT B. E. 2497 (1954)* came into full effect and the TOT became the sole provider of telephony services in Thailand.

By the early 1960s, the TOT had significantly expanded its role in providing fixed line telephone services. However, in 1962 the arrival of new satellite technology from overseas marked the start of radical reforms in TOT’s provision of services (Kansusan haeng Prathet Thai, 1990). Over the next few years, TOT attempted to integrate itself into the international telecommunications network, acquiring its first share of a satellite in 1966. This was
accompanied by an accelerated transfer of new communications technologies from abroad, brought about by Thailand’s strong geopolitical ties with the US during the Vietnam War (ibid).

From an economic and political point of view, the early 1960s can also be seen as representing a significant milestone for the TOT. As detailed in Chapter 4, this decade saw the shift on the part of the Thai government, from an emphasis on using SOEs as the major agents for economic growth and infrastructure development to a greater reliance on the private sector in line with World Bank guidance. No moves were made at this stage to privatise the TOT or allow competition into the telecommunications sector as it was seen at the time as a priority area of strategic and social importance, and therefore requiring appropriate regulatory control. The government did commit, in the first and second NESDPs, to promoting efficiency and accountability in SOEs, and opened the door to strategic alliances and partnerships between private organisations and government. This process of the 1960s can be seen as a form of voluntary policy transfer that was influenced, to a significant extent, by international actors, particularly the World Bank.

1977: TOT and CAT Duopoly

By the mid 1970s, the TOT had succeeded in dramatically expanding the number of exchanges, fixed-lines and telephone subscribers throughout Thailand and had also introduced automated exchange technology for both local and selected long-distance calls (Kansusan haeng Prathet Thai, 1990). Rollout of new technology was also being planned in the form of coin-operated public telephones and a radio telephone service to provide the first systematic telecommunication access for those living in remote areas. With the continuing growth in demand for increasingly diverse and high-quality value-added telecommunications, both domestic and international, the government passed the Communications Authority Act B. E. 2519 (1976), to establish the Communications Authority of Thailand (CAT) in 1977 and granted it control of both international telephone services (formerly administered by both TOT and PTD), and of postal, facsimile and other related services (previously administered by the PTD). This move served both to complete the transition of the PTD from a service provider to a purely regulatory body and, importantly, allowed TOT to concentrate its resources on the domestic telecommunications market. During this duopoly period, there were activities under dispute between CAT and TOT (Brooker Group, 2002, p48) such as Internet Service Provider licences and free Internet access due to overlapping functions between these...
two SOEs. There were also areas in which the TOT and CAT cooperated, such as the joint Educational Internet Fund set up for both TOT and CAT by the MOCT (ibid).


The second significant stage in the history of the TOT (1989-2001) was characterised by the transformation from a duopoly – with TOT and CAT each operating as an effective monopoly in a distinct area of the Thai telecommunications sector – to an oligopoly, in which the TOT co-existed with a number of concessionaires and strategic partners in a marketplace heading towards corporatisation, privatisation and eventual liberalisation.

Oligopoly is defined as:

> a market in which control over the supply of a commodity is in the hands of a small number of producers and each one can influence prices and affect competitors (Princeton University, 2005)

There were three distinctive stages during this period of change, starting with the issue of BTO contracts and the formation of a telecommunications oligopoly of strategic alliances, on to privatisation policy transfer and reforms throughout the 1990s, and finally to the development of the 1998 Telecommunications Master Plan (TMP) in which the TOT and the Thai Government firmly committed to the WTO privatisation and liberalisation obligations. This section will examine each of these stages with a focus on the circumstances surrounding privatisation policy transfer, reform and policy changes, and the interaction between the various actors involved.

**BTO Concessions and Strategic Alliances (beginning 1989)**

By the late 1980s, TOT had successfully modernised much of its network and dramatically increased the number of fixed lines to over one million. However, the Thai economy during this period was booming, and, with more than one name on the telephone waiting list for every subscriber connected, it was clear that the TOT could no longer rely solely on self-finance to meet the rapidly increasing demand from business and consumers for an improved and expanded telecommunications network. To meet this demand, the management of TOT introduced the uniquely Thai solution of Build Transfer and Operate (BTO) contracts, after
these had proved successful with several other Thai SOEs. Essentially, these contracts allowed private companies to enter the Thai telecommunications market as partners (rather than contractors) of the monopoly SOEs by building and exclusively operating telecommunication networks over a lengthy period of time. In exchange, the private operators would firstly transfer ownership of the newly constructed network to the SOE immediately upon completion, then pay a specified percentage of operating revenue to the SOE for the duration of the contract. In the case of TOT, these contracts allowed the company to obtain free of charge, without violating the legal prohibition on private ownership of telecommunication infrastructure (Piché et al., 1997) and still retaining regulatory control of the concessionaries, an additional three million fixed lines, later expanded to 4.1 million (National Electronics and Computer Technology Centre, 2002). These concessions were well received by private companies such as TelecomAsia and TT&T, who moved quickly to invest in the commercially attractive telecommunications sector. By contrast, TOT viewed these BTO concessions as a temporary solution to the lack of public funding for investment in telecommunications infrastructure, rather than a significant step along the road to privatisation (Nikomborirak, 2004).

Although it was not initially viewed as such by the TOT board, the BTO concession contracts can be seen as the first move towards privatisation and competition in the Thai telecommunications sector, which had been protected from the corporatisation and privatisation processes begun earlier with SOEs in other sectors. This policy shift was also in line with the pro-privatisation inclination of the Thai government under General Suchinda Krapayoon, with liberalisation agreements being negotiated through GATS and GATT (later the WTO), and with the emphasis of the sixth NESDP (1987-91) on increased involvement of the private sector to address the counts infrastructure bottleneck. However, policy change, signalled by the decision to allow public-private partnerships through the BTO concessions, was not accompanied by either legal or bureaucratic reform during this period. The Telegraph and Telephone Act B.E. 2477 (1934) still granted monopoly rights to TOT (through the PTD), and the TOT still held regulatory power over all players in the domestic telephony market. In essence, what had been created was an oligopoly rather than any form of competitive or liberalised marketplace.

As discussed in Chapter five, one major consequence of the BTO concession strategy was the rapid growth within the Thai telecommunications sector of private interests and strategic alliances between the TOT (as well as the other telecommunications SOEs) and a range of
domestic, Asian and other multinational telecommunications players. Starting with the fixed line network concessions granted to Telecom Asia and TT&T, this network of companies soon evolved to include over 30 concessionaires and strategic partners providing a diverse range of telecommunication services. This has been the case particularly since the mid 1990s, as technological advancement led to the introduction of rapid growth products and services such as mobile phones, satellite communications and the Internet.

**Public and Private Sector Players**

Table 6.2 shows major public and private sector players in the Thai telecommunications sector as of 2002, listing, for the private section players, the key business areas in which they operate under concession contracts.

The Communications Authority of Thailand (CAT), a major public sector player, is under the jurisdiction of the Ministry of Transport and Communication (MOTC). It was created in 1976 to operate the country’s postal and international communications services, and replaced the Post and Telegraph Department (PTD) which had been founded by a Royal Decree in 1886. CAT’s revenue structure is based on two principal sources. The largest source of revenue, (about 76 percent in 2000) came from telecommunications services, chiefly international telephone services. The remaining 24 percent came from postal operations. Despite the postal services running at a loss, CAT has been one of Thailand’s most profitable SOEs, generating annual profits of 8.9 billion baht in 2002 through its telecommunications divisions. The relationship between the CAT and the TOT is not ideal, due to poorly defined legislative Acts that give both state enterprises the right to provide value-added telecommunications services. This is particularly true in the areas of Internet, data and mobile phones. In recent times, the rivalry between the two has been intensified by the moves towards privatisation.

Major Thai private sector players include the Shin Group and the Telecom Asia Group. In less than 20 years, the Shin Group has expanded to cover nearly every aspect of telecommunications services, and also has a dominant presence in mass media. The group had started by working on IBM mainframes and were the major supplier to the public sector. Its rapid growth culminated in its listing on the Stock Exchange of Thailand (SET) in 1990. A fundamental part of the Shin Group’s strategy has been its strategic partnerships with a number of Japanese companies, such as NTT. Its strategic focus was to provide a convergence
of its communications services, and it continued to consolidate its position as the nation’s most powerful telecommunications and mass-media conglomerate. However, at the beginning of the twenty-first century the Shin Group found itself faced increased international competition, such as from Orange and Optus, in its wireless and satellite business groups, and from BBC in media and broadcasting. Unlike its domestic competitors, the Shin Group was able to survive the 1997 Asian Financial Crisis because of its strong holdings in foreign currencies. A key issue became the perceived conflict of interest of Prime Minister Thaksin, whose family controls the management of the Shin Group.

The Telecom Asia (TA) Group is the largest international conglomerate, which is owned by the Charoen Pokphand Group (CP). It is a multinational corporation, active in more than 20 countries, such as Hong Kong, Vietnam, Indonesia and Turkey. CP operates in many areas, such as food, retail, chemicals, telecommunications and finance. The TA Group controls CP’s telecommunications arm, and most notably won a project in 1992 to install 2.6 million fixed phone lines in Bangkok. The US based Verizon, which provided technical assistance, also holds a 12.5 percent stake in TA. TA also has an alliance with Orange. In 1997, TA faced a substantial debt burden, but a debt restructuring agreement with its creditors ensured it could continue its operations. TA’s pay television operates at a loss, but it has significant investments in mobile radio and satellite systems. TA’s major competitors are TOT, CAT and TT&T in the areas of fixed line and wireless services, after being awarded concessions by TOT and TT&T. The Telecommunications Business Act in 2001, which put a 25 percent cap on foreign shareholdings in local telecommunications companies created considerable uncertainty for TA with its strategic partners. However, this was restored to the original 49 percent level after allegations of impropriety against Thaksin and the Shin Group, who were keen to limit foreign ownership to stifle domestic competition. Otherwise the 49 percent ownership of TA by Orange would have needed to be restructured.

The Samart Group is one of the pioneers of Thailand’s telecommunications, with its involvement going back to 1950. They became incorporated in 1989 and after a restructuring in 1993, expanded into the Indochina region, a notable operation being its management of the air-traffic systems in Cambodia. It was granted contracts by the TOT to install public rural telephone networks, and entered an alliance with Total Access Communication (TAC) to operate mobile phones. The Samart Group is also involved in the Internet and e-commerce businesses in cooperation with CAT. In Cambodia, their main rivals are the Shin Group and a host of smaller local competitors. It is a leader in the Internet field, and is the owner-operator
of one of the country’s most popular websites. It also provides audio-text services by telephone and fax.

The Thai Telephone and Telecommunication Public Co Ltd (TT&T) was established in 1992 to operate a 25 years TOT concession to install and operate one million fixed telephone lines and payphones in provinces outside Greater Bangkok, and is the only private sector provider of these services in these regions. However, it also competes with TOT nationwide in fixed line services, and with TOT and TelecomAsia (TA) in Internet services.

The UCOM Group is a leading supplier of telecommunications equipment, with their TAC Group having a 36 percent share in the mobile phone industry in 2001. It has government concessions to operate a trunked radio system and paging and call diversion services. It continues to expand its businesses in fibre-optic and satellite communications and carries out large projects for government agencies. However, in 1998, after the economic downturn, it became the largest borrower from abroad in the telecommunications sector. It has financial agreements with the Union Bank of Switzerland and Lehman Brothers, and strategic alliances with Telenor in Singapore and Somers in the UK. It was also badly shaken by the 25 percent ownership limits which damaged its investors’ confidence. Recently, it has struggled to increase its profile in broadband and Internet services, where it has to compete with Shin and TelecomAsia (TA).

The M Group is one of Thailand’s leading publishers of Thai and English publications, focussing primarily on business and financial news. After the 1997 Asian Financial Crisis, it was also hit with a large debt burden. However, its alliances with Nokia and Ericsson, its growing presence in mobile phone handsets and accessories, and its 30-year-satellite program in Laos offer opportunities for future growth.

The Jasmine Group began in 1982, and is a significant player in the Internet industry as an Internet Service Provider (ISP). It is a largely family-controlled business that has not been successful in restructuring its management since the 1997 Asian Financial Crisis. Jasmine was the first private sector company capable of providing data, image and voice transmission service via satellite to its customers.

The Loxley Group has a diverse range of business operations including mobile phone distribution, satellites, infrastructure-related services, Internet and media. As a result, the
company is not overly dependent on any one category, but its overall business continues to be under pressure from more consolidated larger players and fluctuating domestic demand.

**Table 7.2 Private and Public Sector Players in the Thai Telecommunications Sector**

<table>
<thead>
<tr>
<th>Players</th>
<th>Year Est</th>
<th>Key Business Groups</th>
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<tbody>
<tr>
<td><strong>Public Sector Players</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone Organisation of Thailand</td>
<td>1954</td>
<td>Basic telephone/ fixed line telephone services</td>
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<tr>
<td></td>
<td></td>
<td>Payphone (public phone) services</td>
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<tr>
<td></td>
<td></td>
<td>Mobile phone services</td>
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<tr>
<td></td>
<td></td>
<td>Pager services</td>
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<tr>
<td></td>
<td></td>
<td>New products and services using the TOT’s IP network</td>
</tr>
<tr>
<td>Communications Authority of Thailand</td>
<td>1976</td>
<td>International telecommunications monopoly</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internet</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Submarine cables</td>
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<tr>
<td></td>
<td></td>
<td>Satellite networks</td>
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<tr>
<td></td>
<td></td>
<td>Post office computer networks</td>
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<tr>
<td><strong>Private Sector Players</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The M Group/ The International Engineering Public Co Ltd</td>
<td>1992</td>
<td>Mobile phone distribution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Airtime provider: 17 year license to 2015</td>
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<tr>
<td></td>
<td></td>
<td>Asian Broadcasting and Communications Network Public Co Ltd (ABCN)</td>
</tr>
<tr>
<td>The Jasmine Group/ Jasmine International Public Co Ltd</td>
<td>1982</td>
<td>Fixed-line</td>
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<tr>
<td></td>
<td></td>
<td>Mobile phone</td>
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<tr>
<td></td>
<td></td>
<td>Internet Service Provider (ISP)</td>
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<tr>
<td></td>
<td></td>
<td>E-business</td>
</tr>
<tr>
<td>Group</td>
<td>Founded</td>
<td>Services</td>
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<td>------------------------------</td>
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<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>The Loxley Group/ Loxley Public Co Ltd</strong></td>
<td>1939</td>
<td>Computers, Mobile phone, ISP, E-commerce equipment, software and service, Telecommunication project services for local and foreign markets, Broadcasting, transportation, energy and electrical plant installation service</td>
</tr>
<tr>
<td><strong>The Samart Group/ Samart Corp Public Co Ltd &amp; Samart Telcoms Public Co Ltd</strong></td>
<td>1993, 1986</td>
<td>Satellite, Electronic Data Interchange, Antennae accessories, High-speed data transmission, Regional telecommunications, Paging, Public rural network installation, Mobile phones, Bandwidth, Internet, E-commerce</td>
</tr>
<tr>
<td><strong>The Telecom Asia (TA) Group / TelecomAsia Corporation Public Co Ltd</strong></td>
<td>1993</td>
<td>Fixed telephone lines, Pay television, Mobile phones</td>
</tr>
</tbody>
</table>
### Satellites

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Year</th>
<th>Services</th>
</tr>
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<tbody>
<tr>
<td>The TT&amp;T Group/ Thai Telephone &amp; Telecommunication Public Co Ltd</td>
<td>1992</td>
<td>Fixed telephone lines</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payphones</td>
</tr>
<tr>
<td>The UCOM Group/ United Communication Industry Public Co Ltd</td>
<td>1980</td>
<td>Telecommunications equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trunked mobile systems</td>
</tr>
<tr>
<td>Total Access Communication Public Co Ltd</td>
<td>1989</td>
<td>Satellite</td>
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<tr>
<td></td>
<td></td>
<td>Fibre-optic</td>
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</table>

**Source:** *Brooker Group, 2002*

A consequence of the BTO concession contracts and the resulting network of strategic alliances has been the problematic issue of concession conversions, to be discussed in further detail shortly. Basically, the problem of converting concession agreements in a manner acceptable to all parties in preparation for privatisation of the TOT and subsequent liberalisation of the sector has proved almost impossible to resolve.


The next major period in the history of the TOT extends from the early to the late 1990s; from the initiation of privatisation policy based on the Western model in the seventh NESDP (1992 – 1996), to the Asian Financial Crisis of 1997. This was when the influence of international policy actors changed from voluntary compliance with the World Bank to enforced compliance with the IMF. It was also the time of the passage of the Telecommunications Master Plan (TMP) through parliament in 1998. The plan established a blueprint for privatisation and liberalisation of the telecommunications sector and of the TOT. The Asian Financial Crisis of 1997 marked a critical turning point in the history of both the TOT and of the policy prerogatives of the Thai government. After several years of record economic growth, the economic collapse forced the Thai government to take significant steps towards, privatisation and liberalisation of the telecommunications sector and reforms affecting other
major SOEs in order to obtain the vital IMF bailout package. For the TOT, these changes involved the adoption of the Telecommunications Master Plan (TMP) which spelled out the reforms and changes that would take place.

The beginning of this period was signalled by the incorporation into the seventh NESDP of a commitment to deregulation and efficiency increases in important SOEs such as the TOT. The driving force behind this commitment was voluntary compliance to agreements with GATS and the World Bank for privatisation of key SOEs and an opening up of important sectors of the economy to the private sector. These outcomes were important in that they were required for Thailand to become a full participant in the global economy (see Chapter 4). However such was the complex nature of the legal, bureaucratic and administrative framework of the SOEs, and the telecommunications sector in particular, that to secure the desires privatisation policy outcomes clearly required extensive reform in these areas as a first step in the privatisation process.

With the new focus on privatisation and reform came an increase in concern about the effects of such policies from nationalist politicians and members of the Thai public, including academics, the media and, most importantly of all, the TOT’s employees through the large and powerful employee union. In an attempt to allay this concern, the MOCT, in collaboration with the TOT and CAT, organised a 1993 symposium on Telecommunications Privatisation Experiences. The purpose of the symposium was to transfer knowledge and awareness of telecommunications privatisation to TOT staff, union members, media, academics and any interested members of the general public. The symposium was chaired by the chairman of a joint CAT-TOT working group that had been set up to report on strategies for privatisation reforms. The organisers invited specialists from international telecommunications SOEs from eleven organisations in ten countries, and from regulatory organisations in four countries, to discuss problems encountered in telecommunications privatisation with TOT and CAT employees, politicians, senior bureaucrats of MOTC and other ministries, staff of SOEs, lawyers, academics, media and the general public. This symposium had a larger than expected number of participants, since many SOE employees were unfamiliar with the process of privatisation and were anxious to discover what the transition would mean for their future job security. The unions were especially concerned about the possibility of deterioration in future conditions of employment. They were also worried about the transfer of the TOT from the government to private hands, where it was feared that profit rather than public service provision would become its primary objective. However, TOT explained to its employees that
the purposes of privatisation were firstly, to increase commercial efficiency and management flexibility; secondly, to increase the organisation’s readiness for telecommunications liberalisation and the resulting competition from multinational players; thirdly, to improve TOT’s ability to gain access to and accumulate capital, both domestically and externally; and fourthly, to enable TOT to increase its international competitiveness and maintain its leading edge in telecommunications service provision.

In 1994, the TOT hired international and domestic consultancy firms to analyse the current economic, administrative and legal situation with regards to future telecommunications liberalisation, and to propose appropriate privatisation strategies for the TOT. The consultancy firms involved in this seven-month project were Coopers and Lybrand, Merrill Lynch, Skadden Arps, Slate Meagher and Flom, TISCO and Thailand’s own Chula Unisearch, who together received a total fee of THB 24,750,000, approximately US$990,000 (Telephone Organisation of Thailand, 1995).

The ensuing report was divided into two parts (Telephone Organisation of Thailand, 1995). Part 1 projected future scenarios for the telecommunications sector in Thailand based on numerous factors within the domestic and global environments. Importantly, this report predicted that from 2001, the trend in Thai telecommunications would be towards a very high demand for telecommunications services, fast-paced technological development and higher competition in the provision of services and basic infrastructure. The report also stressed the importance of future advertising and customer relations, predicting that more discerning customers would seek quality, price and value for money in a competitive marketplace. The report suggested that the TOT in its current form did not have enough investment capital to keep up with the projected demand, or to provide adequate telecommunications services in the new marketplace. The report also drew attention to the poor public image of TOT among customers at the time. It criticised the TOT management for a lackadaisical approach to promotion and advertising, although with demand outstripping supply and with TOT as the monopoly service provider, there had been little need in the past to proactively attract customers. The management was also judged by the consultancy firms to be too centralised and overly bureaucratised. However, the report neither explained how these structural problems could be addressed, nor suggested strategies for ensuring efficiency and accountability of management during transfer from a state-run to a private sector organisation.

Part 2 of the study report contained a proposal on the future status of TOT. It suggested that TOT operate its business according to strategic methods, importantly establishing itself as the
domestic and international market leader and as the primary public service provider in Thailand. More importantly, it suggested that the TOT relinquish its role as a government regulator in order to focus exclusively on its operational activities.

The consultancy report suggested three complementary strategies for privatisation. These included share sales through the first Initial Public Offering (IPO), followed by the creation of a Strategic Partner/Customer Structure to generate more investment capital for corporatisation. After corporatisation, with cabinet approval, there would be the second IPO of TOT Corporation to the public in the Stock Exchange of Thailand. TOT agreed in principle to use the strategy proposed by Coopers and Lybrand that involved strategic partners and IPO. The goals of this strategy were to transform TOT into a corporation, form strategic alliances and finally transform the corporation to a public company. In other words, TOT would be corporatised in order to move away from SOE status and eventually float its shares in the stock market, to become a public company.

The TOT Steering Committee agreed in principal with the consultancy report, and maintained that TOT should aim to maintain its status as domestic market leader and public service provider following privatisation. The Committee further suggested that TOT’s role as a domestic market leader could be strengthened by privatisation, allowing it to cope more adequately with future competition. However, there was only limited support within Committee and the TOT for the report’s recommendation of competing for business with CAT in international services. Perhaps most significantly, however, the Thai government responded to the report’s suggestion that TOT abdicate its regulatory functions by moving to set up an independent body to regulate the TOT’s operations. This was a step that would eventually culminate in the formation of the National Telecommunications Committee (NTC) in 2004.

The recommendations of the consultancy report were formulated by the TOT Steering Committee, the CAT Steering Committee and the MOTC into a final draft of the TMP, which was approved by cabinet on 28 March 1995. This draft detailed privatisation policy proposals that were intended to corporatised and privatise the telecommunication SOEs and open the telecommunications sector to international competition by 1996. In approving the Plan, the government acknowledged that the TOT was subject to too many laws, rules and regulations and that these would have to be substantially streamlined in order to allow necessary expansion, development and management flexibility. Amongst this legal and administrative
red tape were national foreign borrowing regulations that impeded TOT’s borrowing power. The government also acknowledged that privatisation was required in order for the TOT to rectify a lack of R&D and technology development expertise which it would need to compete successfully in an open marketplace, as well as acquiring the business acumen and proactive marketing experience of the private sector that was missing in the engineering background of much of the TOT’s management.

At the same time as the draft TMP was being prepared, the TOT commissioned a joint survey by Coopers and Lybrand and the TOT Personnel Unit to find out about the opinions of TOT employees at all levels regarding privatisation. Of the 25,922 questionnaires distributed between 10 May 1995 and 31 July 1995, 19,965 were returned, the results showing that the staff did not have a clear sense of direction and understanding regarding privatisation of the organisation. In addition, the unions and media continued to express doubts about the impending privatisation of SOEs, and the Thai public generally expressed a low level of trust in private enterprises. Many of these groups were also sceptical as to whether privatisation would serve the greater interests of the Thai public rather than those of foreign investors. In an attempt to allay its employees’ fears, the TOT stressed that it gave first priority to its role as a social service provider, and to developing its status as market leader for both domestic and international markets (Telephone Organisation of Thailand, 1995).

Although the parliament had approved the initial draft of the TMP legislation in 1995, a new government under Banharn Silpa-archa (1995-1996) first revised, and then suspended the Plan. The initial draft of the TMP was found to be overly optimistic and lacking in direction, and it was not until further consultancy reports and a new government that the Plan was finally resubmitted to and passed by Cabinet in what was considered to be a workable form. The consultants who wrote this report were contracted by the TOT, and once again included a suite of largely international firms. The consultants, namely Coopers and Lybrand, TISCO, Merril Lynch, Skadden Arps Slate Meagan & Flom and Thailand’s National Chula Unisearch (the only local consultancy firm), conducted a privatisation feasibility study and eventually reported back to the TOT steering committee with a detailed privatisation strategy. However, although the committee agreed in principle with the report’s recommendations, there were numerous legal and administrative obstacles to implementing the strategy that needed to be resolved before the draft TMP could once again be submitted to Cabinet.
In 1996, the TOT sought official opinions from four relevant ministries, namely MOTC, Ministry of Commerce, the NESDB, and the Attorney General’s Department on TOT privatisation. The ministries unanimously supported the push towards liberalisation, acknowledging that the process would entail significant legal and administrative reforms. The MOCT in particular, directly responsible for the TOT, recommended that the organisation proceed with the strategy of privatisation and seek immediate international investment for the following reasons:

- There were indicators showing that there would be more rapid changes in telecommunications in the near future. Privatisation of TOT and CAT would be essential to increase their competitive edge by allowing them to keep up with the rapid changes in technology.

- Cabinet’s declaration to the parliament in 1996 mentioned a need to expedite liberalisation of telecommunications products and services including basic telephone services, mobile phone and other telecommunication services and to expeditiously implement the TMP in accordance with other related laws (Royal Thai Government, 1996). The Ministry feared that TOT would lose the opportunity to select the best international alliances and strategic partners because other domestic telecommunications companies would pre-empt the TOT by forming alliances with world-leading telecommunications firms.

- Unless the TOT privatised in accordance with the proposed strategy, and had enough time to improve its business performance prior to full liberalisation, the TOT would be in a disadvantageous position.

- If the privatisation of TOT was delayed until 2006, the year that Thailand had committed to completing telecommunications liberalisation, TOT might be in a difficult position to find international alliances, since there would be no incentive for international companies to seek alliances with the TOT before 2006.

This newly revised TMP, submitted to and eventually passed by cabinet on 4 November 1996 (Brooker Report, 2002), incorporated many elements of both the 1994 and the 1995 consultancy recommendations on business strategy that had been omitted from the previous draft of the Plan. The major points of the new submission included:
• That the *Telephone Authority of Thailand Act B.E, 2497* (1954), which provided the legal basis for mandatory state ownership and monopoly rights for the TOT be amended or abolished;

• TOT anticipated that national benefits would stem from privatisation. Firstly, the strategic alliance strategy and initial public offering (IPO) would generate the capital required for infrastructure expansion. TOT expressed the aspiration that Thailand would become an international telecommunications hub. TOT referred to the international experiences of other developing countries, including Argentina, Mexico and Hungary. However, the document also mistakenly identified New Zealand as another developing country whose experience could be learnt from. TOT also stressed the importance of generating other telecom-related business opportunities including value-added telecommunications products such as Internet and mobile phones.

• TOT required foreign investment in addition to its SOE budget, but did not want to take out loans that would create a future financial burden. This foreign investment was important for TOT to catch up with new ICT technologies, and conduct more research and development. TOT believed that more advanced ICT would facilitate and increase its competitiveness in the global market.

• TOT believed that privatisation would reduce bureaucratic red-tape, allowing it to increase its decision-making efficiency and increase management flexibility, thus making the organisation better able to respond to an uncertain and ever-changing environment.

• TOT needed to increase its competitive edge and prepare for the government’s WTO obligation to open up Thailand’s telecommunications market to foreign investment by the year 2006.

The documents elaborated on the weaknesses of the TOT that would inhibit its ability to compete with the private sector. These included regulatory redundancy and insufficient funding to expand telecommunications infrastructure and invest in research and development. Furthermore, TOT’s capacity to borrow was subject to the national loan ceiling. It was therefore not surprising that the consultancy encouraged TOT to adopt a privatisation policy. What was more important for the government, however, was to know how it should balance
its role as a regulator, and bring about the equitable distribution of telecommunications services across the population.

1998

In 1998, Thailand was still suffering from the 1997 Asian Financial Crisis, which had a serious impact on all businesses, particularly telecommunications. Consequently, the targets set for the year by TOT in the provision of services and revenues were not achieved. They still enjoyed a net profit of 13,629 million baht, but it was a reduction of nearly 43 percent from the previous year (Telephone Organisation of Thgailand, 1998).

However, TOT had some important achievements for the year. They introduced a quality system, ISO 9002, for the collection of payments. It was the first SOE to set up a public information centre via the Internet that revealed its procurement specifications for greater transparency. In its efforts to become more business oriented as preparation for the imminent privatisation, it continued its drive to introduce modern technologies to improve efficiency, and created human resource development programmes to produce a more adaptable workforce.

The information centre was also designed to invite comments from members of the general public. The organisation made a conscious effort to enhance public relations and customer satisfaction and was able to increase its subscriber base over the year. TOT provided several new services, such as IP telephony, which allowed cheap long distance phone calls.

1999

In 1999, there was another sharp reduction in profits, with a total net profit of less than two millions baht for the year (Telephone Organisation of Thgailand, 1999). Despite this reduction, the TOT was still able to continue its expansion programmes throughout Thailand. It was able to add nearly 200,000 new basic telephone services, and the personal cordless telephone or PCT service was made available in metropolitan areas allowing customers to use their home numbers outside the home. Satellite and fibre optic links were also provided to Malaysia, Laos, Myanmar and Cambodia. These systems allowed for an improved quality of telecommunications services and cheaper long distance calls. Public telephones were installed for the disabled to provide greater equity in social services. The TOT helped to support the provision of computer networks to Thai schools. Support for rental and public utility services over computer networks was also added.
2000

In 2000, TOT’s net profit increased to over four million baht, or 108 percent over 1999 (Telephone Organisation of Thailand, 2000). Over 540,000 new basic telephone lines were installed, an increase of over 28 percent on the previous year. Its mobile phone network in the 470 MHz band had an increase of 2,653 subscribers, nearly 10 percent more than in 1999. In a joint venture, the NMT 900 MHz mobile telephone service saw a decline of approximately 5 percent in operating revenues, but the TOT’s GSM 900 MHz system had a substantial increase in new lines to subscribers of nearly 70 percent.

In order to facilitate a smooth privatisation process, the TOT coordinated a master plan for telecommunications development with the MOF, and outlined the benefits to TOT employees. The TOT was required to consider methods of concessions conversions with the Thailand Development Research Institute (TORI) and its joint-venture companies to determine future gains for the organisation and the country in moving towards privatisation. The installation process of public telephone services was found to be slow, and it was acknowledged that greater urgency was required. This was true nationwide, where in rural areas it was an issue of social equality, and in the Bangkok metropolitan area there were many faulty lines that required immediate repair.

Period Three: Towards Full Privatisation of TOT (2002 - 2005)

2002

In 2002, the TOT organised a public hearing on TOT transformation from SOE to corporation for the consideration of the State Enterprise Capital Policy Committee and the Cabinet. On 31 July 2002, ‘TOT Corporation Public Company Limited’ was established in accordance with the Acts of the Capital of State Enterprise B.E. 2542 (1999) (Telephone Organisation of Thailand, 2002). The ‘TOT Corporation Public Company Limited’ was given the ownership, assets, liabilities, right, accountability and employees from the previous TOT SOE. It had an initial capital of 6,000 million baht, with 600 million shares at 10 baht par value. The Ministry of Finance (MoF) was the sole shareholder of the new ‘TOT Corporation Public Company Limited’ (Telephone Organisation of Thailand, 2002).
During the transformation period into ‘TOT Corporation Public Company Limited’, TOT still technically remained a SOE, but it was exempted from complying with the rules, regulations and Cabinet resolutions that governed all SOEs. TOT was allowed to create its own regulations on inventories, budgeting, finance and accounting, and human resource management. ‘TOT Corporation Public Company Limited’. adhered to good governance principals and was selected as the SOE with the best practices by the Internal Audit Association of Thailand. In 2002, TOT prepared to be listed on the stock market as ‘TOT Corporation Public Company Limited’ by filing an application for public share offering and submitting a draft prospectus to the Securities and Exchange Commission (SEC).

The TOT set up subsidiaries and formed joint ventures with many private sector companies. Some examples of these associated companies in which the TOT owned more than 10 per cent share are listed in Table 6.2. The TOT invested more than 100 million baht in companies including ACT Mobiles Co. Ltd., Tele Info Media Co. Ltd., United Broadband Technology Co.Ltd. and Lenso Datacom Co. Ltd. This allowed TOT to provide value-added services such as mobile phone, broadband and the telephone directory. Other TOT joint venture investments included submarine optical fibre cable and Internet. With joint ventures and business subsidiaries, TOT was able to expand its products and lines of business that involved new technology, such as wireless. By December 2002, the TOT achieved a net profit of 20.5 millions baht. In the same year, the TOT provided 8,033,864 basic telephones and 12,614,517 mobile phones to the public.

<table>
<thead>
<tr>
<th>Company</th>
<th>Type of business</th>
<th>TOT investment amount (million baht)</th>
<th>TOT percentage of total share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACT Mobile Co., Ltd.</td>
<td>1900 MHz, mobile</td>
<td>164.94</td>
<td>54.98</td>
</tr>
</tbody>
</table>
When the policy to change the status of the TOT into a public limited company was implemented in 2002 the government planed to have TOT ready for future competition. This required organisational change to convert a bureaucratic entity enterprise into a corporation with a business oriented approach and good governance including transparency,
accountability and legislative compliance. The Chairman of the Board of the ‘TOT Corporation Public Company Limited emphasized a need to compete in an efficient and productive manner:

The administrative change in the form of a state enterprise into a public company necessitates changes of organization culture, mindset and operating procedures of the former organization to be in line with the policy and objectives that have been changed. All the management and employees are core to the changes that are well executed, resulting in good business operations and continuous excellent operating results and ready to advance to become the Best of the Best company in the region (Telephone Organisation of Thailand, 2002).

2003

‘TOT Corporation Public Company Limited’ began 2003 with the goal of using new technologies to modernise its telecommunications network and infrastructure (Telephone organisation of Thailand, 2003). The Transmission Network Expansion Project constructed high speed telecommunication systems and supported the new international airport, Suwannaphoom Airport.

It also provided 565,500 new telephone numbers, and additional services for fixed lines such as SMS and Caller ID. It emphasised responsiveness to customer needs in the delivery of services relating to fixed lines, wireless, data networks, public payphones and international transactions. ‘TOT Corporation Public Company Limited’ aimed at providing a wide range of telecommunications services at reasonable prices. It also developed new strategies to increase competitiveness for the 1900 MHz mobile telephone service.

‘TOT Corporation Public Company Limited’ restructured its internal management to become more responsive to business operations and to add more flexibility and agility to the organisation. Redundancy packages had been introduced to eradicate work duplication. Working hours were extended and good governance as adopted as a managerial tool. To enhance organisational performance, ‘TOT Corporation Public Company Limited’ also introduced online systems to improve management:

In 2003, TOT completed one year of corporatization and started launching new business organization structure by forming Business Groups (BG). As such, internal communication was carried out to ensure that all staff had to be alert and accepted changes in order to be able to compete in the market. The organization structure was underlined with the concept of “Decentralized Operation Centralized Control”. In other words, the operation business group which would have the direct relationship with customers was delegated to exercise the authority. Also, all staff would be trained to develop their paradigm, attitude, as well as, service-mindedness, and awareness of entrepreneurship and to upgrade
‘TOT Corporation Public Company Limited’ indicated that it would provide greater accessibility to telecommunications services for the public, especially for educational purposes. In its 2003 Annual Report, the TOT listed the social contributions during the year, demonstrating the increased importance that the organisation attached to social issues. The ‘TOT Corporation Public Company Limited’ implemented projects such as the School Internet Project and e-government services such as the Government Contact Centre, to raise the standard of services to an equivalent level of other leading South East Asian nations. It installed 4,447,339 lines in the provincial areas bringing the total number of basic telephones up to 8,484,862.

In 2003, ‘TOT Corporation Public Company Limited’ continued to work with concessionaires under BTO arrangements to provide services including basic telephone, mobile, pager, data communication and connection services. ‘TOT Corporation Public Company Limited’ continued its joint venture with CAT Telecom Public Limited Company as consortium to provide mobile phone services. The total line capacity that TOT had with joint venture companies was 8.48 million lines consisting of 6.31 million connected lines and 311,917 lines that were public payphones. In 2003, TOT had total assets of 260,314,911,980 baht with net profit of 11,265,149,870 baht.

Table 7.4 Services by Private Joint Venture Companies

<table>
<thead>
<tr>
<th>Service</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basic telephone service</td>
<td></td>
</tr>
<tr>
<td>-2.6 million in the metropolitan area</td>
<td>Telecom Asia Corporation Public Co. Ltd.</td>
</tr>
<tr>
<td>-1.5 million fixed lines in provincial areas</td>
<td>TT&amp;T Public Co. Ltd.</td>
</tr>
<tr>
<td>2. Mobile phone service</td>
<td></td>
</tr>
<tr>
<td>-900 NMT</td>
<td>Advanced Info Services Public Co. Ltd</td>
</tr>
<tr>
<td>-900 GSM</td>
<td></td>
</tr>
</tbody>
</table>
### Chapter 7 Telecommunications Organisation of Thailand Privatisation: A Case Study

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-2-Call (prepaid)</td>
<td></td>
</tr>
<tr>
<td><strong>3. Pager service</strong></td>
<td>Hutchison Telecommunication (Thailand)Co. Ltd</td>
</tr>
<tr>
<td>- pager phone</td>
<td></td>
</tr>
<tr>
<td><strong>4. Data communication service</strong></td>
<td>Advanced Data Network Communication Co. Ltd.</td>
</tr>
<tr>
<td>- datanet</td>
<td>(Shinnawat Data Com Co. Ltd.)</td>
</tr>
<tr>
<td><strong>5. Telephone information service</strong></td>
<td></td>
</tr>
<tr>
<td>- audiotex</td>
<td></td>
</tr>
<tr>
<td>(1900 special service)</td>
<td></td>
</tr>
<tr>
<td><strong>6. Connection service</strong></td>
<td></td>
</tr>
<tr>
<td>- fibre optic cable along the railway</td>
<td>ComLink Co. Ltd.</td>
</tr>
<tr>
<td>- domestic satellite communication</td>
<td></td>
</tr>
<tr>
<td>- satellite communication for business</td>
<td>Acumen Co. Ltd.</td>
</tr>
<tr>
<td>- submarine opticable fibre cable</td>
<td></td>
</tr>
<tr>
<td>(East Coast)</td>
<td></td>
</tr>
<tr>
<td>- submarine optical fibre cable</td>
<td></td>
</tr>
<tr>
<td>(West Coast)</td>
<td></td>
</tr>
<tr>
<td><strong>7. Telephone directory</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tele Info Media Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>(Shinnawat Directory Co. Ltd.)</td>
</tr>
</tbody>
</table>

Source: *TOT Annual Report, 2003*
2004

In 2004, the ‘TOT Corporation Public Company Limited’ increased the number of fixed line telephones in provincial but not metropolitan areas. The number of public payphones and mobile phones increased in all areas. With total assets of 256,865.68 million baht, the ‘TOT Corporation Public Company Limited’ enjoyed a net profit of 11,522.96 million baht, an increase of 257.81 million baht from the previous year, and had total earned revenues of 62,160.89 million baht.

The government declared the year 2004 as ICT Year and there were significant changes in domestic policy. These included the formation of a long-awaited telecommunications regulatory body, the National Telecommunications Committee (NTC). This helped resolve the problem of policy vacuum. The ‘TOT Corporation Public Company Limited’ attempted to increase its competitive edge by adopting an innovative business strategy to advance its telecommunication networks in South East Asia. It engaged in corporate restructuring and identified the need to have close collaboration ‘between the production and marketing sections’ and emphasised the customer-focus approach (Telephone Organisation of Thailand, 2004, p.7). The ‘TOT Corporation Public Company Limited’ needed new advanced telecommunication technology to attract customers with services such as broadband and wireless.

In the second year of TOT as a corporation, the Chairman of the Board mentioned that progress in privatisation was reflected in the transformation of TOT from a SOE to a corporation, with the ultimate goal of being a public limited company. He also emphasised that the future TOT public limited company ‘will reinforce the sense of belonging to the Thai people’ (2004 TOT Annual Report, p. 5).

Finally, another new management system, the balance scorecard, was introduced in 2004, aimed at increasing employees’ performance:

The balanced scorecard management system has been adopted to monitor executive and employee performance and that standards of Good Governance closely followed. (Telephone Organisation of Thailand, 2004, p.6)

2005

In 2005, privatisation became highly politicised. The sale of telecommunication giant, Shin Corp to Singapore’s Temasak ignited political unrest and widespread protest over windfall
profits made by the Prime Minister’s family which owned the corporation. TOT privatisation was later shattered by the judgement of the Supreme Administrative Court in March 2006 to accept the appeal against privatisation from TOT employees:

TOT's long-delayed privatisation plan is on the brink of collapse after the Supreme Administrative Court accepted a petition filed by its employees to revoke the plan and change its status back to a state enterprise. (Telecom Asia Daily, 2006)

The actors against privatisation included opposition politicians and a growing people-power movement. This opposition became more intense due to allegations on conflict of interest against Prime Minister Thaksin, and growing nationalist sentiment against foreign take-over of telecommunications:

In Thailand, the private-sector players—two fixed-line and five mobile ones—have merely been granted operating concessions of between 15 and 27 years by the state-owned telecoms duopoly, Telephone Organisation of Thailand and CAT Telecom. Thailand's constitution, enacted in 1997, mandates an independent regulator to reform this odd set-up. Various procedural problems have held the process up—something that did not appear to worry Mr Thaksin's government very much—but the National Telecommunications Commission is now at last up and running. It should soon rule on vexed issues such as interconnection fees between rival networks, and will eventually decide what becomes of the private concessions. Faced with such an upheaval, the Bencharongkul family, which owned a stake in TAC, the number-two mobile provider, sold out to Norway's Telenor last year. Now the Shinawatras are following suit. (The Economist, 2006)

Regardless of the political ramifications, Thaksin’s family sold its remaining 49.6 percent of Shin Corp, without paying any tax, to Singaporean Temasak Holding on January 2006 for US $1.8 billion (Wikipedia, 2006). Shin Corporation’s share price rose to its highest in 11 years (The Economist, 2006). This takeover took place after passing the Business Law to increase foreign ownership from 25 percent to 49 percent on 12 January 2006. This indirectly fuelled privatisation protests since it was believed that the national security would be threatened as the company sold assets including Shin satellite and Advanced Info Service, the largest mobile phone network in the country:

But this noble deed also netted the family 73 billion baht ($1.85 billion), and allowed it to dispose of its telecoms empire just as the sector enters a period of regulatory uncertainty. In his explanation of the sale, at any rate, Mr Thaksin seems guilty of what his critics always accuse him of: confusing the national interest with his family's (The Economist, 2006).

The selling of Shin Corp avoided the increasing problems that stemmed from sluggish mobile phone demand that other players such as Advanced Info Service (AIS) had been confronting and which had been forecast to grow at only 5 percent by the Japanese Nomura Investment Bank (The Economist, 2006).
Despite this turmoil, the government showed an intention to provide equal access to telecommunications services under ‘the universal service obligation’ or USO, which was an important policy condition prior to privatisation, and set up a fund for that purpose. In 2005, *The Nation* reported that ‘TOT Corporation Public Company Limited’ planned to use the ‘USO fund’ to provide telecommunications services to those in provincial and remote areas, and who had no access to public and mobile phones (*The Nation*, 2005).

**TOT Privatisation Outcome**

The final outcome of TOT privatisation in 2005 was that the Ministry of Finance became the sole owner of the TOT. One might ask if the TOT truly was privatised after so many years of uncertainty. The answer, it seems, would depend on the definition of privatisation. Privatisation comes in many forms and can be brought about by many ways in Thailand. Many definitions are also possible due to the complexity of the interactions among and between domestic and international actors. As Krongkaew (2006, p.32) pointed out, this complexity has led to a ‘New definition and benchmark about the state-society role in economic policy-making. The government, public and media regarded the transformation of TOT from an SOE to a corporation, and eventually a public company, as privatisation. From its establishment in 1954, TOT took 36 years to adopt its earliest form of privatisation - BTO - with the emerging telecommunications oligopoly as concessionaires. The oligopoly benefited greatly from this transfer of wealth as mentioned in the previous chapter (Krongkaew, 2005). It took TOT another 15 years, to transform TOT into a public limited company, initially under the sole ownership of the Ministry of Finance in 2005. This slow pace was in part due to the government taking into account not only economic but also social and political benefits when forming its policy. With a large income gap and a ‘dual economy’, it was important that the government play its role as a public goods provider, especially to the majority of the population who live in rural areas.

In 2005, a new form of TOT management came into being, TOT as a company. This was now run by a board of eleven directors, two of whom came from military backgrounds. This too was not surprising, as the military remained a player in the Thai political system, although their power had been curbed tremendously in comparison with their role in the past.
As the Ministry of Finance gained sole ownership of the TOT in 2005, the government relied on this important Ministry to maintain a check-and-balance system in the TOT. The government realised that an equal access to telecommunications services under ‘the universal service obligation’ or USO was an important condition for privatisation, and set up a fund for that purpose in 2005 (The Nation, 2005). The initial public offering remained an opportunity for the future, but the possibility of becoming a shareholder depended on one’s capacity to acquire shares under the existing conditions in the stock market. These conditions could not be regarded as being equitable in a developing country like Thailand where a large income gap separated the population. As Endo (2003, p.1) mentioned, ‘a for-profit structure of securities exchanges may create more problems in developing country’. It was difficult to reconcile the role of the stock exchange as a regulator in the stock market, while it had profit maximisation as a primary motivation. Endo (2001, p.1) also posited that ‘a for-profit structure of securities exchange could be an unrealistic policy choice in their [developing] economic environments’. Finally, in July 2006, the TOT Plc and CAT Telecom Plc consider to merge their businesses and become subsidiaries under the same holding company (the Nation, 2006b).

CONCLUSION

The TOT case study provides a largely chronological narrative of its privatisation transfer process. Particular attention has been paid to the relationship between TOT privatisation and policy transfer, with an emphasis on the role of international institutions such as the World Bank, IMF and multinational corporations, and the interaction of these institutions with important political and bureaucratic actors within Thailand. This chapter examines the relationship between TOT privatisation and policy transfer and therefore concerned with the interaction between the many actors who formed policy networks at all levels – internationally and locally – and who had diverse and varied interests. There are many lessons that can be learnt from such a study, particularly regarding the challenges of implementing policy transfer in the face of domestic opposition, and local political, economic, legal and bureaucratic constraints. These challenges have included, for example, the changing forms of privatisation and the transfer of wealth to the telecommunications oligopoly.
TOT, once being regarded as Thailand’s privatisation showcase is now facing uncertainty due to political turmoil. TOT privatisation therefore clearly reflects a multi-path, involving the interaction and interplay of many political, economics, historical, social and cultural elements that have been interwoven during TOT’s privatisation transfer. This chapter still retains this multi-path perspective, and applies it more exclusively to TOT, one of the major telecommunications service providers in Thailand with a long history, from SOE to corporation. In both historical and contemporary settings, international and domestic players have interacted with the changing political, socio-economic and cultural environment, thereby impacting upon TOT privatisation policy transfer outcome. This chapter shows this interaction between different players has determined TOT policy transfer in the past and the present.

TOT clearly demonstrates a privatisation policy transfer in two forms, voluntary and coercive. The World Bank influence on the Thai government’s ideology has been reflected in many NESDPs. This is a form of voluntary privatisation policy transfer address to the TOT case. The IMF coercively and successfully transferred privatisation policy relating to the TOT that was spelled out in many Letters of Intent that Thailand sent to the IMF as a loan condition after the 1997 Asian Financial Crisis that agreed the seek private sector participation in the investment programmes of selected SOEs (Royal Thai Government, 1997c)

Concurrently, the Thai government formed its own privatisation policy and reforms taking account of both international and domestic influences. Legal reform was an essential condition for privatisation, while administrative reforms were also necessary to achieve the desired outcomes. Legal reform was required to amend the regulatory framework that protected the monopolistic nature of the TOT. However, with the introduction of wireless technology, telecommunications infrastructure became increasingly cheaper, and this made telecommunications more accessible to the population and facilitated more competition (Low, 2002). The private sector entered this growing market and competed for a share in the lucrative telecommunications market, while the government increasingly view its primary mission to be that of a regulator to ensure the continued provision of social benefit to the public.

TOT has undergone three stages of privatisation. The first stage, lated from 1954 – 1988, and involved TOT’s formation and consolidation as a monopoly SOC in charge of a growing market for domestic. In 1997 CAT emerged and changed the form of state telecommunication ownership from monopoly to duopoly. The practice of privatisation first took place in
Thailand in the form of BTO in 1989, twenty-eight years after privatisation policy ideas were first transferred to Thailand (Ministry of Finance, Royal Thai Government, 2003). Also TOT took thirty-five years to adopt its earliest form of privatisation, BTO. The transfer of wealth which accompanied this move of TOT’s into BTO concessions facilitated the emergence of a telecommunications oligarchy who were able to transform finance into influence in subsequent rounds of privatisation. The TOT case study supports the hypothesis that telecommunications privatisation transfer is a non-linear and complex process that involved multiple interactions among international and domestic actors. The former were more technologically advanced, held competitive advantage and greater bargaining power in the international market for trade-in-service. This was matched by the latter’s aspiration for economic growth and modernisation, that generated increasing demand for value-added telecommunications services. The resulting privatisation transfer process took place gradually and continuously over several years.

TOT clearly demonstrates a privatisation policy transfer in two forms, voluntary and coercive. The World Bank influence on the Thai government’s privatisation ideology has been reflected in many NESDPs. This is a form of voluntary privatisation policy transfer relating to the TOT case as it was generally welcomed, at least in principle, by the government. By contrast, the IMF coercively and successfully transferred privatisation policy to the TOT that is in line with many Letters of Intent that Thailand sent to the IMF as loan conditions after the 1997 Asian Economic Crisis that agreed to seek private sector participation in the investment programmes of selected SOEs (Royal Thai Government, 1997c). However, this coercive transfer of SOEs generated political opposition in Thailand which obstructed the full implementation of the SOEs including TOT.

The second conclusion relates to the nature of the policy transfer process by tracing TOT through three periods of privatisation we have seen how this TOT case study supports the hypothesis that telecommunications privatisation transfer is a non-linear and complex process that involved multiple interactions among international and domestic actors operating in changing circumstances. The international actors possessed greater technological advancement, competitive advantage and higher bargaining power in the international forum for trade-in-service. This was complimented by the domestic actors’s aspiration for economic growth and modernisation, that generated increasing demand for value-added telecommunications services. However, there was disagreement among them about whether privatisation should take place, but even among the supporters there were different views
about the rate and nature of privatisation. As we have seen. The resulting privatisation transfer process took place gradually and continuously. And is as yet not fully resolved.
Chapter 8
Discussion and Conclusions

INTRODUCTION

This thesis explores policy transfer from rich countries to poor countries. This thesis brings together a comprehensive conceptual framework and empirical data, to present a model of policy transfer specific to telecommunications policy transfer on privatisation in Thailand. The thesis combines network analysis with the policy transfer approach to explore and delineate the complex interaction between multiple actors engaged in the telecommunications privatisation policy transfer process. It identifies and outlines both the domestic and international actors engaged in the telecommunications network and traces out some of the key factors that bind together the local and international elements of the policy network. The thesis also explains privatisation policy entanglements in political, social, economic, legal and cultural currents. For some international agencies and local political actors, it has been tempting to answer this challenge by depicting privatisation in terms of a seamless and simple transfer of policy models from elsewhere. Yet such simplistic explanations need to be resisted.

The thesis has attempted to increase the knowledge on policy transfer by addressing the changes and implications of the practice of privatisation policy transfer in a developing country using the case of Thailand. As such, the thesis explores the unique relationship between globalisation forces and the increasing occurrence and intensity of the policy transfer phenomenon and its implications for the domestic environment. By considering some of the particular historical, political, social, legal and cultural circumstances of Thailand, this thesis demonstrates that the existing literature does not adequately convey the complexity of south-north interactions in relation to privatisation policy transfer.

While there have been a few studies of telecommunications privatisation in Thailand, until now none has looked at it using the policy transfer framework. Moreover, the literature from a multi-disciplinary perspective is inadequate. However, Thailand is not the only developing country that experiences a gap in the understanding of the implications of privatisation policy
transfer. There is also a gap in literature on privatisation policy transfer from developing countries’ perspectives that adequately conveys the views and analyses from a South to North orientation. In the context of globalisation and rapid technological advancement, particularly in telecommunications, there is an increasing need to understand developing country experiences of telecommunications privatisation policy transfer.

This thesis adapts Dolowitz and Marsh’s (1996, 1998 and 2000) analytical policy transfer framework as the key part of an interpretive framework for analysing and understanding events and processes in and around the privatisation of telecommunications in Thailand and to provide a method to simplify and understand the complexity of policy transfer. The thesis emphasises the dynamism of a model to be developed later in this chapter and provides a set of tools for exploring North-South aspects of privatisation policy. The study examines privatisation from a multi-disciplinary perspective in order to understand the privatisation policy transfer process. Hence, this chapter reviews and integrates disciplines and approaches that have been developed independently to draw towards meso-level analysis for privatisation policy transfer. Thus, the thesis identifies a multidisciplinary conceptual framework to capture the complicated shifting configuration of actors, agencies, themes and initiatives that comprise the policy domain of telecommunications privatisation.

The thesis is greatly concerned with a recurrent theme in the discussion of policy transfer and policy network which is the relation between structure and agency. Rather than reducing analysis to a singular variable or to discrete instances of transfer, the network perspective utilised in this thesis enables an understanding of the circuitous pathways and multi-layered networks through which policy makers interact. Thus, the thesis describes the dialectic between structure and agency. It also describes the relation between micro- and macro- levels of analysis, which are some of the key considerations that are accommodated in the theoretical framework.

**THESIS FINDINGS**

*Multi-layered and Multi-dimensional*

The thesis demonstrates on both theoretical and empirical grounds that there is a need to use a broad perspective to analyse privatisation policy transfer. There is a range of factors shaping
the development and eventual privatisation of SOEs. The thesis demonstrates the impact of external and internal actors on the establishment and development of telecommunications in Thailand. Tracing both the historical trajectory and the specific socioeconomic and political terrain of the present, this thesis provides the multi-dimensional understanding required for a model of Thai telecommunications. The details of this model will be delineated later in this chapter. It demonstrates how policy transfer, instead of being a one-way street, actually involves a multi-layered and multi-pathed policy network. As has been seen, Thai telecommunications policy transfer involves the motivating and resisting factors which affect various actors and the complex international and domestic surrounding conditions in which the privatisation process is set. This has led to the complexity of interactions between actors in developed and developing nations involved in the process of privatisation policy transfer. Without taking into serious consideration the local political, legal, economic, social and cultural contexts of the recipient country, the completion and success of privatisation policy transfer process cannot be ensured and neither can it be understood.

This thesis emphasises the importance of local conditions in relation to privatisation policy transfer. With telecommunications liberalisation commitment under WTO, Thailand has tried to adjust its domestic policy to integrate itself into a global economy driven by trade. Telecommunications have been regarded as a powerful conduit for the transfer of technology and privatisation policy from developed to developing countries. Since the very first introduction of telecommunications technology to Thailand, the sector has been significant in shaping the Thai economy, society and national security. The importance of telecommunications SOEs to the economy, through lucrative market opportunities and uncontested telecommunications service provision, has led many to regard the telecommunications sector as one of the prime targets of privatisation. Telecommunications was, in fact, the first major sector in Thailand to have its own master plan, the Telecommunications Master Plan (TMP), a year prior to the establishment of the 1998 State-Owned Enterprises (SOEs) Master Plan. These plans were formulated to prepare Thailand for the 2006 trade-in-services liberalisation (Post and Telegraph Department, 2004b). In 1997, The Thai government, facing budget constraints during economic crisis, and under pressure from international organisations to liberalise the economy, paved the way for both domestic and foreign private involvement in the telecommunications sector. Thailand has tried to adjust its internal policy and manage its internal politics to integrate itself into a global economy driven by trade and investment. The telecommunications privatisation transfer process has
thus been accorded high importance in Thailand’s plans in this regard. The distribution of benefits resulting from privatisation remains an issue of concern, however, with telecommunications increasingly being portrayed as a means of wealth accumulation for oligopoly concessionaires.

Factors that Support Telecommunications Privatisation

A range of arguments both promoting and opposing telecommunication privatisation can be identified in Thailand. They are employed by the actors in the telecommunications policy network. The thesis found that the strength of arguments varies over time according to context. The leading factors that drive privatisation include:

Increase in Demand

There has been a constantly increasing demand for telecommunications in Thailand from the public and from various sectors, including education, health, commerce and mass media (International Telecommunication Union, 2002a). The need to meet the escalating demand can be seen as an important reason to involve the private sector in telecommunications. The proliferation of cheaper and modern technologies has facilitated the spread of telecommunications. The government, through its SOEs, has appeared to be unable to catch up with technological development and to meet the demand for innovative telecommunications services including wired and wireless technology. Over the past two decades, the numbers of fixed and mobile subscribers and Internet usage in Thailand have shown marked upwards trends.

Modern Innovation in Telecommunications Technologies

Telecommunications technology changes rapidly and today’s innovation can become quickly obsolete. In this context, slow-moving state bureaucracy becomes a hindrance, being unsuited to the management of a sector subject to such fast changing technologies. Technological innovation has provided an environment more conducive to private sector involvement. With the introduction of cheaper and more accessible forms of telecommunications, new and more competitive markets have opened up. Consequently, from the late 1980s, government
provided concessions to the private sector to participate in a greatly expanded telecommunications market that led to the formation and subsequent prosperity of various business groups. This Thai telecommunications oligopoly formed strategic alliances with international telecommunications actors (Ure and Vivorakij, 1996). Both state SOEs, like the CAT and TOT, and private companies started to compete or form alliances among themselves to provide products and services with new advanced technology, while simultaneously integrating themselves more into the telecommunications global network. Private corporations also managed satellite communications, underwater cables and fibre optics.

The 1997 Constitution

The 1997 Constitution contained liberalisation clauses embodied in sections 50, 87 and 40 that stated that business related to broadcasting and telecommunications could no longer be monopolised (Royal Thai Government, 1997a). The government responded by setting up two separate regulatory bodies, the National Broadcasting Commission and the National Communications Commission (NCC) to regulate radio broadcasting and telecommunications. The appointment of powerful NCC members was highly politicised and it took the government seven years, till 2004, to finalise the appointments (Promphrasid, 2005). In addition to the new constitutional provisions, there have been major legal reforms facilitating privatisation, including the *Telecommunications Business Act B.E. 2544* (2001), introduced to facilitate free and fair competition for the Thai telecommunications industry (Limwuthigaijirat, 2003; Ministry of Justice, 2001; and Post and Telegraph Department, 2004a).

International Agencies Influence

Thailand is highly dependent on and exposed to the international environment. Many international actors, agencies and corporations have been involved in the process of telecommunications privatisation policy transfer. These include the International Finance Corporation (IFC), the World Bank, the Asia-Pacific Economic Cooperation (APEC), ASEAN and WTO (Ure and Vivorakij, 1996). The global policy regime is being shaped by powerful actors like the USA, EU and Japan and private multinationals (Drahos and Joseph, 1995). For example, Thailand agreed to accelerate privatisation as a condition for IMF loans provided after the 1997 Asian Financial Crisis. Privatisation was therefore one of the conditions in the Letters of Intent from the Thai government to the IMF.
Regional Position of Thailand

An additional factor driving privatisation has been the aspirations of various political and business elites to make Thailand the telecommunications hub of Southeast Asia. A coalition of business and political interests have espoused telecommunications privatisation as a means of positioning Thailand as the gateway to the region (Ure, 1995; World Bank, 2005, p.118). A modern telecommunications network is considered essential for giving Thailand a competitive edge over its neighbours and ensuring that the nation survives in a competitive global economy.

Factors Inhibiting Telecommunications Privatisation

Two of the leading factors that inhibit telecommunications privatisation, are the difficulties of concession conversion and political instability. The telecommunications market in Thailand cannot be truly regarded as a freely competitive sector: in fact it operates as an oligopoly, dominated by a handful of highly influential and powerful sellers.

Concession Conversion

With Thailand’s commitments to the WTO to liberalise its telecommunications sector in 2006 (Telephone Organisation of Thailand, 2005b), the government encountered the difficult problem of converting concessions already granted to private sectors companies. This became a government policy priority, but seemingly and intractable one. It is an enduring issue complicating privatisation in Thailand. Although it initially reduced shortages in telecommunications services, the BTO concession scheme retained elements of the monopolistic, centralised structure that had historically dominated telecommunications in Thailand. The precise framework for concession conversion remained a source of debate and uncertainty, and despite countless rounds of negotiation between the government and the private stakeholders, consensus has proven elusive. Without concession conversion, it is hard to see how full privatisation can take place.
Chapter 8

Discussion and Conclusions

Political Instability

Privatisation is highly politicised. Politics has been a major factor that determines what happens in the privatisation transfer process. The process is highly controversial and involves conflicting interests among stakeholders. Although the pro-privatisation actors have generally been dominant, the arguments against telecommunications privatisation have gained more support with the recent allegations of conflict of interest against the former Prime Minister. Telecommunications have created considerable wealth for those in control of telecommunications concessions, a matter which has stirred up interest in a range of equity issues relating to telecommunications privatisation in particular, but which have spilled over into privatisation in general and questions of nationalism and questions of nationalism and the duties of the state.

A Factor that Supports and Opposes Telecommunications Privatisation

The 1997 Asian Financial Crisis

Privatisation was used as an International Monetary Fund (IMF) loan condition during the 1997 Asian Financial Crisis. While this stimulated the privatisation process, it also created strong anti-privatisation sentiment among unions, the SOE management, opposition parties and nationalists, who viewed privatisation as the selling off of national assets. While official government policy at that time favoured privatisation, there was a growing resistance among state enterprise employees (Sirithaveeporn, 1999). The 1997 Asian Financial Crisis gave force to the opponents of privatisation process. The nationalist sentiment has grown stronger since then and has been supported by the public. Non-governmental organisations and social movements disseminated the critiques of privatisation that emerged after the 1997 Asian Economic Crisis in Thailand (Hewison, 2000).
**TOT Case Study**

Telephone Organisation of Thailand (TOT) is used as a case study in the thesis. Its recent history clearly demonstrates the complexity of privatisation policy and its transfer. TOT is the first significant official showcase of privatisation in Thailand. For over half a century, TOT has been the dominant player in Thailand’s telecommunications sector, from establishment as a SOE in 1954 to corporatisation in 2002 and finally the attempt to list it as a public company in 2005 and 2006 in preparation for liberalisation of the Thai telecommunications sector in 2006 (Telephone Organisation of Thailand, 2005a). TOT supports the contention that a mixture of voluntary and coercive policy transfer characterises telecommunications privatisation transfer in Thailand.

The World Bank influence on the Thai government’s privatisation ideology has been reflected in many NESDPs since the early 1960s. This is a form of voluntary privatisation policy transfer to the government’s economic planners, TOT and other SOEs. By contrast, the IMF coercively and successfully transferred telecommunications privatisation policy to the TOT many of the Letters of Intent that Thailand sent to the IMF as a loan condition after the 1997 Asian Financial Crisis. These Letters of Intent agreed to seek private sector participation in the investment programmes of selected SOEs (Royal Thai Government, 1997c). The outcome of these voluntary and coercive processes was that the TOT was privatised as a corporation in 2002 and public company limited in 2005. However, all its shares are still owned by the Ministry of Finance. While once being regarded as a privatisation showcase, TOT is now facing uncertainty due to political turmoil. TOT privatisation clearly reflects a multi-pathed approach to policy transfer, involving the interaction and interplay of many political, economic, historical, social and cultural elements inter-woven sometimes in different ways during TOT’s privatisation history.

The analysis of TOT has identified three stages in its privatisation history. The first stage lasted from 1954-1988, and involved TOT consolidating its position as a monopolised organisation in charge of domestic telecommunications in a growing market. The second stage took place between 1988 and 1997 when the Communication Authority of Thailand or CAT emerged and changed the form of telecommunications ownership from monopoly to duopoly. This was not privatisation but simply a functional adjustment within the state in response to the expansion of the telecommunications sector. This thesis uses a broad definition of privatisation as any transfer of ownership or control from public to private sector,
the first example of which took place in Thailand’s telecommunications sector in 1989 in the form of the first Build-Transfer-Operate (BTO) project (Piché et al., 1997). The third stage commenced in 2002 when a combination of actors and forces supporting privatisation started moving TOT towards full privatisation by converting it into ‘TOT Public Corporation Public Company Limited’ (Telephone Organisation of Thailand, 2002). But the basic concepts which support privatisation had been first transferred to Thailand in 1961 (Ministry of Finance, Royal Thai Government, 2003). It took Thailand another twenty-eight to begin implementation in the form of its first telecommunications BTO scheme. The emerging telecommunications oligopoly as concessionaires reaped the benefits of transfer of wealth from the state into private hands (Krongkaew, 2005).

The TOT case study supports the hypothesis that telecommunications privatisation transfer is a non-linear and complex process that involves multiple interactions among international and domestic actors. The former possessed greater technological advancement, competitive advantage and higher bargaining power in the international forum for trade-in-services. This was matched by the latter’s aspiration for economic growth and modernisation, that generated increasing demand for value-added telecommunications services. The resulting privatisation transfer process took place gradually and continuously over several years but changing coalitions of interest, domestic opposition and unforeseen environmental changes meant that the transfer process was far from smooth.

**Rationality and Privatisation Policy Transfer**

The ideal of a scientific approach to problem solving - logical, value-free, reliable, available for a wide array of problems - is attractive for many. Who would not prefer rational solutions to pressing public problems? (Bridgman and Davis, 2000, p.48)

Policy transfer implies an element of consciousness or intention, with the transfer process resulting from some rational judgment on the part of the policy makers or agents of transfer: ‘Yet experience suggests rationality is an unusual thing in the complex, quasi-political world of public policy’ (Bridgman and Davis, 2000, p.48). Thailand, with its unique context of problems and political processes has tended to react negatively to the policy transfer process once the rationale behind policy transfer becomes questionable or problematic. For instance, Thailand initially applied privatisation policy to its telecommunications sector in the form of BTO. This domestic innovation resulted in the transfer of wealth to a telecommunications oligopoly, a situation not fully appreciated by many during policy making but in retrospect,
predictable after the event. The influence of policy transfer in the development of Thai telecommunications privatisation policy led to the alleged conflict of interest of Thaksin, a former telecom tycoon, who became Prime Minister of Thailand. This indicates that telecommunications privatisation policy may be far removed from rational policy-making models which identify all options and select the best after rigorous cost-benefit analysis of them all. Policy transfer can approximate to rational process if the transferred policy is compatible with and complements the existing norms and values of the recipient country, but in most cases, the country needs to find its own solutions for its sensitive problems (Evans, 2004). The thesis agrees with Evans (2004) who supports the notion that the rationale behind policy transfer is ‘less clear for developing countries, transition societies or countries emerging from conflict’ (Evans, 2004, p.3). He does, however, see an element of rationality since the policy recipients are engaged in lesson drawing from successful exemplars. Evans (2004, p.30) qualifies that by noting developing countries are compelled by influential nations or institutions to adopt policy change as a condition for financial assistance:

However, governments in developing countries are often compelled by international donor countries (e.g. countries that give large amount of aid to developing countries such as the United States, Britain or Japan), supra-national institutions (e.g. the European Union), global financial institutions (the World Bank and the International Monetary Fund), international organizations (e.g. the Organization for Economic Cooperation and Development) or transnationals corporations (e.g. Time Warner), to introduce policy change in order to secure grants, loans or forms of inward investment.

The Contemporary Political Terrain of Telecommunications

Over the latter decades of the twentieth century, the political system of Thailand was transformed: from a military-dominated ‘bureaucratic polity’, in which businesses played a subordinate role to government and state-owned corporations, to a system in which business plays a central role in determining the policy agenda (Riggs, 1966; Ockey, 2004). The factors underpinning this transformation, and their implications for the privatisation of telecommunications, are perhaps most forcefully illustrated by the example of Prime Minister Thaksin’s controversial business dealings in this sector (Bowornwathana, 2004). With the establishment of the BTO concession scheme, Thaksin used his bureaucratic connections and expertise to secure lucrative telecommunications concessions. As McCargo (2002, p.115) has noted, every major enterprise of Thaksin’s began with a government license or concession, and it is through these government-delivered concessions that Thaksin became the wealthiest man in Thailand. In this sense, he exemplifies an important legacy of the BTO system: the development of wealthy family-owned telecommunications firms and their increased political
influence. Government policy has resulted in massive wealth accumulation for the oligopoly of telecommunications tycoons, including the Shinawatra Group owned by Thaksin’s family. As a result, Shin Corporation became Thailand’s largest telecommunications corporation (Hewison, 2001).

The entanglement of Thaksin Shinawatra’s political and business ambitions illustrate two key features of the relations between business and telecommunications policy. Firstly, it underscores the recursive interactions that take place between telecommunications policy and the Thai social, economic and political context. That is, whilst the BTO scheme was pivotal in establishing and consolidating the economic and political dominance of certain elites, it is these very business elites who now play a central role in shaping and directing privatisation policy. Secondly, whilst the newly dominant coalition of private sector telecommunications operators has promoted privatisation, the shape and form of the privatisation that has emerged and which they support is not necessarily the fully competitive market envisioned during past administrations.

**MODEL OF THAI TELECOMMUNICATIONS PRIVATISATION POLICY TRANSFER**

The model of telecommunications privatisation policy transfer supports the hypothesis that privatisation policy transfer is not a simple linear process in which a policy is transported relatively intact from the international arena to the domestic front. As Evans and Davies (1999) have noted, most explanations of policy transfer emerge from inductive reasoning rather than deductive formal modelling. Yet, as they go on to state, ‘A sound model is not necessarily one that purely explains or predicts with precision. It is one rich with implications’ (Evans and Davies, 1999, p.364). They also clearly pointed out that this ‘argument does not negate the importance of the policy transfer’ (ibid). In an attempt to facilitate our understanding of the importance of the privatisation policy transfer. The thesis develops a model of telecommunications privatisation derived from the application of three academic disciplines: public sector management (policy transfer), economics (privatisation) and communications (policy network). This study builds around the concept of policy transfer as part of an interpretive framework for analysing and understanding events and processes relating to the privatisation of telecommunications in Thailand.
The model of telecommunications privatisation applicable to Thailand is dynamic due to its accommodation of interactions among policy actors with diverse interests who operate in both domestic and international settings. As mentioned in chapters 5 and 6, these actors include the government, ministries and offices in charge of telecommunications issues, civil servants, political parties, labour unions, consultancy firms, international organisations and NGOs. In the process of transfer, policies are filtered and adjusted through the particular social, historical, cultural, political characteristics of the recipient country. In effect, during the process of telecommunications policy transfer, privatisation policy is filtered and adjusted through existing characteristics of the recipient country as discussed in chapters 4, 5 and 7. The recipient country adopts the new policies in the process of privatisation policy transfer, and if necessary, manoeuvres and transforms them to suit local conditions according to the perceptions and relative strengths of stakeholders who are able to influence the policy process. For example, while the Thai government adopted the ideas supporting telecommunications privatisation policy, the TOT has adopted the BTO as a form of privatisation and granted concessions to telecommunications companies including Advanced Info Service of Shinawatra Group, previously owed by Thaksin and currently by his family. Thaksin’s wealth began with a government license or concession, and it is through these concessions that Thaksin became the wealthiest man in Thailand (McCargo, 2002, p115). In this sense, Thaksin exemplifies an important legacy of the BTO system: the development of wealthy, telecommunications firms and their increased political prominence.

As mentioned earlier, this thesis uses and expands on Dolowitz and Marsh’s (1998) model of policy transfer, and also refers to elements from other frameworks to examine policy transfer. Applying the policy transfer perspective enables us to explain the motivations of policy makers who engage in the policy transfer process, the type of policy transfer that take place, and the different agents that enter or exit the policy arena. This agency focus is set against the extent to which the particular context of Thailand has influenced the efforts to privatise the telecommunications sector. Such a model not only captures the complex network of interrelationships in policy transfer involving international and domestic stakeholders (agency) but also locates them in an ever changing environment (structure). The model of telecommunications privatisation policy transfer to Thailand which incorporates these explanatory elements has been illustrated in Figure 8.1, Table 8.1 and Figure 8.2.
Figure 8.1 Thai Telecommunications Privatisation Policy Model Process from Source to Destination.

Stage 1: Sources
- international policies and programmes

Stage 2: Content
- policies, programmes
  e.g. privatisation, NPM
- institutions
- agencies
- positive/negative lessons
- ideologies/justifications
  e.g. neoclassical economic attitudes

Stage 3: Delivery Method
- policy transfer
- diffusion
- convergence
- others
  e.g. learning-drawing, emulating, copying

Stage 4: Filters
- culture
- history
- political system
- economic system
- political system
- legal system
- social system
- geopolitical and strategic factors

Stage 5: Destination
- modified policies and programmes
Figure 8.1 illustrates the process of transferring policy from source to destination. There are five stages: sources, content, delivery method, filters and destination (outcomes): The sources include international policies and programmes to be transferred. Globalisation expedites the privatisation process and can inhibit the recipient country’s ability to originate its own policy (Evans, 2004). Many international actors, agencies and corporations have been involved in the development and implementation of telecommunications privatisation policies and programmes. A stream of pro-privatisation documents has been produced and disseminated by the World Bank, the Asia-Pacific Economic Cooperation (APEC), the WTO, the ADB, ITU forums and other international organisations (Ure and Vivorakij, 1996).

The contents of transfer include: (a) policies and programmes such as NPM, privatisation and regulatory agencies; (b) ideologies and justifications such as the superiority of market capitalism and neoclassical economic thinking; and (c) attitudes such as Western superiority and modernism. These contents were added to a list of factors that drive privatisation. A coalition of business and political interests have espoused telecommunications privatisation as a means of positioning Thailand as the gateway to (and gatekeeper of) the region (Ure, 1995; World Bank, 2005, p.118). Privatisation policy transfer takes place in Thailand when actors borrow this policy developed in one setting to produce programmes and policies for another setting, that is Thailand. It is one way of explaining how different nations have come to share similar content of privatisation programmes and policies.

To some extent the delivery method straddles both the source and destination locations. Even so, the particular content and the particular source for the policy or programme to be transferred will often determine the type of delivery method. As mentioned in Chapter 2, in recent decades, a recurrent theme in policy studies has been how knowledge about policies in one setting is used in the development of policies in another setting. However, despite widespread interest in this phenomenon, a common theoretical consensus is yet to emerge among scholars. Terms such as ‘transfer’, ‘diffusion’, and ‘convergences’ have often been invoked, yet many researchers fail to specify the precise meanings or theoretical assumptions underpinning their use of such concepts. In the absence of firmly agreed standards or protocols concerning how such terms should be used, conceptual imprecision and ambiguity are common. Policy transfer and diffusion, for instance, are often used in conjunction with a confusing array of terms such as: lesson-drawing, policy bandwagoning, policy borrowing, policy shopping, systematically pinching ideas, penetration, external inducement, authoritarian imposition, and policy pusher (Stone 2003, p.4). Dolowitz and Marsh (1996,
p.350) also refer to ‘copying; emulation; hybridisation; synthesis; and inspiration’. The thesis concludes that privatisation policy transfer in Thailand is mixed. This point will be elaborated in the coming section. Figure 8.1 therefore shows a dotted line between the sources, contents and delivery method on the one side, and the filters and destination on the other side.

The filters alter or change the policy or programme contents. Filters may include local culture, history; political, economic, social and legal systems; strategic position in the world; and relations with neighbours. These filters can enhance the recipient country’s ability to originate its own policy. Recipient countries like Thailand have their own distinctive layers of filters that screen privatisation policy. The degree of modification can vary depending on the four key factors: (i) the extent of the differences between existing policy in country of origin and policy in recipient countries; (ii) differences between the political and economic objectives of the origin countries as compared to those in recipient countries; (iii) differences in the make-up of stakeholders, their policy preferences, and their relative influences; and (iv) the extent of policy transfer coercion, which varies to a greater or lesser extent according to the particular case of privatisation policy transfer.

The model reveals that, the telecommunications privatisation policy transfer in Thailand has been a mixture of coercive and voluntary transfer with the incoming policies being adapted through national filters. This finding supports the hypothesis that the privatisation policy transfer involves both domestic and international actors (agents) and environment (structure). The telecommunication privatisation policy transfer outcomes depend upon the interactions between these agents and structures. This can be seen in the content of legislative reform and new regulatory agencies in Thailand.

The destination and outcomes for the policy delivery process are the modified policies and programmes appearing in the policy recipient location. The extent to which policies and programmes are modified will depend largely on the filters. Thus, Thailand applied a wide range of privatisation techniques utilised in telecommunications and other sectors including sales and liquidation of public enterprises, joint ventures, contracting out, franchising, BTO and related schemes, leasing and liberalisation (Dhiratayakinant, 1991). A prominent form of telecommunications privatisation in Thailand has been Build-Transfer-Operate (BTO) (Piché and Carlson, 1997). Many BTO approaches have been customised to address the unique legislative and/or regulatory conditions in Thailand. The application of privatisation in the telecommunications sector in Thailand started with concessions through BTO in the 1989. This
was followed by corporatisation as applied to the TOT and the CAT in 2002. But it is important to note that divestment has not occurred.

Table 8.1 Type of Telecommunications Privatisation Policy Transfer and Involved Actors/ Mechanism

<table>
<thead>
<tr>
<th>Type</th>
<th>Policy Tools</th>
<th>Actors/ Mechanism</th>
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<tbody>
<tr>
<td>voluntary policy transfer</td>
<td>privatisation</td>
<td>World Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>government</td>
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<tr>
<td></td>
<td></td>
<td>bureaucrats</td>
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<tr>
<td></td>
<td></td>
<td>some academics</td>
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<tr>
<td></td>
<td></td>
<td>multinational consulting firms</td>
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<tr>
<td>new public management</td>
<td></td>
<td>international financial institutions</td>
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<tr>
<td></td>
<td></td>
<td>some academics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>bilateral aid agencies</td>
</tr>
<tr>
<td>telecommunications</td>
<td></td>
<td>ITU</td>
</tr>
<tr>
<td>standards/ specification</td>
<td></td>
<td>INMARSAT</td>
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<tr>
<td></td>
<td></td>
<td>INTELSAT</td>
</tr>
<tr>
<td>coercive policy transfer</td>
<td>IMF Structural Adjustment Programme (SAP)</td>
<td>IMF letters of intent</td>
</tr>
</tbody>
</table>
Table 8.1 illustrates and classifies types of telecommunications privatisation transfers for Thailand. The involved actors and structures that implement the policy transfer are specified. The thesis demonstrates that the method of privatisation policy transfer in Thailand is a mixed one. The table shows that there are three types of policy transfer, namely voluntary, perceptual, and coercive as well as policy diffusion and convergence.

In voluntary transfer, domestic actors freely and willingly chose to adopt a public policy from another domain. Often, the primary catalyst for voluntary transfer is the perception that existing policy measures are inadequate. Political actors may also cite the existence of policies elsewhere to legitimate or justify their decisions to implement particular reforms. An example of voluntary policy transfer took place in 1989 when the government granted concessions to

<table>
<thead>
<tr>
<th>Type</th>
<th>Policy Tools</th>
<th>Actors/ Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>perceptual policy transfer</td>
<td>trade liberalisation</td>
<td>ideology</td>
</tr>
<tr>
<td></td>
<td>modernism</td>
<td>attitudes</td>
</tr>
<tr>
<td></td>
<td>modernisation</td>
<td>ideas</td>
</tr>
<tr>
<td>others</td>
<td></td>
<td></td>
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<tr>
<td>diffusion</td>
<td>NESDPs</td>
<td>policies</td>
</tr>
<tr>
<td></td>
<td>1998 SOE Master Plan</td>
<td>programmes</td>
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<td></td>
<td>1997 Telecommunications Master Plan (TMP)</td>
<td></td>
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<tr>
<td>convergence</td>
<td>similar privatisation process</td>
<td></td>
</tr>
<tr>
<td></td>
<td>similar telecommunications structure.</td>
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</table>
private operators of fixed-line telephones using the BTO method, and to private investors to build a specific number of telephone lines for later transfer to the government. The Thai privatisation policy has involved gradual policy dissemination from abroad.

Coercive transfer takes place when the policy is forced on the recipient country by powerful international organisations, or when government is compelled to adopt programmes and policies either against its will or as part of its obligations. For example, after the 1997 Asian Financial Crisis, the Thai government was facing mounting economic pressure and was compelled to sign up to a *Memorandum of Economic Policies* with privatisation, as a condition for financial assistance. This was attached to the first Letter of Intent sent to the IMF under the structural adjustment programme (SAP). SAPs generally include initiatives such as privatisation, competition policy, liberalisation and administrative reform. Such SAP-driven policy transfer can adversely affect developing countries, as Evans (2004, p.3) points out:

> Such [SAP] programmes are predicted on a western interpretation of ‘Good Governance’ and give rise to negotiated processes of policy transfer that often undermine the sovereignty of nation states to make public policy in the national interest. The history of failed SAPs is testimony to the omnipresence of poorly conceived processes of policy transfer in developing countries. At the same time, however, it is evident that such countries can improve their bargaining position with evidence-based policy discourse (see Stiglitz, 2002, pp.26-33). Sadly this is not often the case…

Perceptual policy transfer occurs when national actors believe that public policies applied in their jurisdiction are inadequate by comparison with rival jurisdictions (Common, 2001). Thus, a range of Thai actors both inside and outside of government perceived prevailing telecommunications arrangement and policy to be inadequate and cast their gaze further afield in a search for answers. Perceptual transfer may be the consequence of ideological or psychological factors whereby national actors may consider domestic public policy to be obsolete or otherwise unsound without necessarily referring to evidence. This is essentially a political movement and a change of values. Perceiving an inadequacy in certain policies, political actors may choose to innovate domestically or import an apparently successful approach from another jurisdiction. Perceptual transfer reflects a change of values, possibly resulting in voluntary transfer of policy innovation. Some examples of perceptual transfer include the adoption of trade liberalisation ideology or cutting edge technology and an aspiration to become a regional telecommunications hub.
Policy diffusion is about the spread of similar policies and/or programmes in various countries, for example the 1998 SOE Master Plan and the privatisation contents of the National Economic Development Plans (NESDPs) under the World Bank’s influence. Other significant privatisation reforms, including those contained in the 1997 Constitution, the 1997 Telecommunications Master Plan arrived in Thailand, at least in part, through the diffusion process.

Although the model imposed in this thesis does not specifically distinguish policy convergence as another mechanism leading to policy change, it is possible to claim some utility for the concept. It has been defined as ‘the tendency of societies to grow more alike, to develop similarities in structures, processes, and performances’ (Kerr 1983, p.3). Thus, one might interpret Table 7.1 as demonstrating the tendency of Thailand to gravitate towards an international experience of adopting the privatisation process and telecommunications structure. However, the lack of agency in such an approach gives it limited explanatory power.
Figure 8.2 displays the identity and orientation of influential policy actors involved in telecommunications privatisation in Thailand. The actors in the telecommunications process are numerous and the interactions between them complex. The delineation of the key domestic and international actors reveals that telecommunications policy is caught up in a dense and diverse network involving a host of agencies, organisations and interest groups. The interactions of domestic and international actors support the assumption that privatisation of telecommunications in Thailand is an example of policy transfer through global networks with the transferred policy having been adjusted and transformed by the particular context of
Thailand, and by wider environmental factors such as multilateral liberalisation and economic regionalism. Thus, though policy transfer through international organisations has strongly influenced the privatisation process, the case of telecommunications policy transfer in Thailand clearly shows that a recipient country has unique ways to modify policy that has been transferred to it.

There are three groups of policy actors: (i) those in favour of privatisation, (ii) those against privatisation and (iii) the interchangeable actors (academics, media or even bureaucrats) who can take different sides in different circumstances. Domestic actors including business persons, elected politicians, along with bureaucrats, multinational consultancy firms, and international businesses alliance are generally in favour of the changes being promoted by influential international agencies that exert influence on the path and rate of privatisation. Since the early 1990s, both the World Bank and the IMF have had a significant impact on policy makers in Thailand in insisting that the country’s industries should be restructured so that they operate in more competitive conditions. Thus, the Thai government seemed to accept telecommunications liberalisation in 2006 as Thailand’s obligatory commitment to GATT. Also influential have been multinational consultancy firms which played leading roles in the early stages when telecommunications privatisation was an alien concept for Thailand. This has been clearly demonstrated by the TOT case study. These consultancy firms not only received substantial fees in exchange for expertise but also gained the government’s confidence in matters relating to privatisation. Another important set of pro-privatisation actors has been the emerging private telecommunications companies. The decline of the bureaucratic policy has been matched by the rising influence of these business telecommunications companies, which have proven to be particularly influential in the policy process.

On the other hand, the group against privatisation includes unions, opposition parties, media, NGO, activists and Thai nationalists. These protesters viewed privatisation as equivalent to selling off the nation. According to various media sources, they do not believe that the country is in the best position to compete in the open market under the WTO commitment. The 1997 Asian Financial Crisis and the 2005 political uprising gave greater force to the opponents of privatisation. They were also concerned about the feasibility and possible negative impacts of the privatisation process. A range of factors, including ideology, values, job security and privatisation, provided impetus to the movement against privatisation. The labour unions have been particularly prominent in the opposition to privatisation in
telecommunications and other sectors. The arguments against privatisation have grown stronger as public opinion has increasingly expressed disapproval of the close links between business and government in Thailand and the wealth that has been generated for the few. The actors against privatisation policy transfer are mainly domestic, though international bodies such as international labour organisations, may have some influence over them. The decline of the military’s influence in politics has been matched by the rise of civil society, including various academics, new interests groups and non-governmental organisations (NGOs). In addition, despite the growing media agglomeration of the family of Prime Minister Thaksin’s Shin Group of companies, the media has fought to expand and defend its freedom, providing a platform for public debate. In this connection, the issue of privatisation has been a topic of fierce debate, and a broad spectrum of civil society groups has been voicing their concerns on policy issues relating to privatisation and using the media to disseminate their views.

The ‘interchangeable’ group of influential policy actors includes academics and opposition parties. The interchangeable policy actors sometimes move in and out ‘for’ and ‘against’ privatisation groups. For instance, academics from different schools of thought have contrasting thoughts on privatisation. Opposition parties change their votes for or against privatisation policy depending on the political climate. Bureaucrats mainly serve the governments of the day that support privatisation.
Table 8.2 Examples of Factors that Affect Telecommunications Privatisation in Thailand

<table>
<thead>
<tr>
<th>pro-privatisation factors</th>
<th>anti privatisation factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997 constitution</td>
<td>political instability of the governments that support privatisation including protests against those governments, frequent change of government</td>
</tr>
<tr>
<td>globalisation</td>
<td>delay in legislative amendments</td>
</tr>
<tr>
<td>government capital shortage</td>
<td>1997 Asian Financial Crisis</td>
</tr>
<tr>
<td>information economy</td>
<td>anti-globalisation advocacy</td>
</tr>
<tr>
<td>TMP, SOEs Master Plan, NESDP</td>
<td>political opposition</td>
</tr>
<tr>
<td>popular culture</td>
<td>policy and regulation vacuum</td>
</tr>
<tr>
<td>adoption of cutting-edge technology</td>
<td>concession conversion problems</td>
</tr>
<tr>
<td>rapidly obsolete technology</td>
<td>SOEs as government revenue source</td>
</tr>
<tr>
<td>technical standards and interoperability</td>
<td>equity issue, universal service access</td>
</tr>
<tr>
<td>1997 Asian Financial Crisis</td>
<td></td>
</tr>
</tbody>
</table>

Table 8.2 demonstrates examples of factors that support or are against privatisation in Thailand, and which the policy actors/mechanisms must negotiate to achieve their goals. These items can be seen as the structures or forces which can influence the specific policy choices made by the agents who themselves are jostling to get their points of view heard and acted upon. As the lists in Table 7.2 show there are disparate factors exerting influence, but the degree of influence from a particular factor will vary through time. Furthermore, the factors do not act independently and some factors, such as the Asian Financial Crisis, can be both pro-privatisation and anti-privatisation. Although they are disaggregated in table 7.2, in
practice they are interrelated and can even be seen to link with other elements in the environment not listed on the table.

In summary, this thesis has shown that to acquire an informed understanding of privatisation policy in Thailand’s telecommunications sector requires the traversal of a dense and uneven political terrain. It is the attempt to map out this terrain, and to establish the conceptual framework for this undertaking that has been at the heart of this thesis. In addition to sketching out the broader structural elements that have shaped the trajectory of telecommunications policy, the thesis has examined specific case studies which reveal the particular configuration of interests and agendas, and the multiple sites and pathways through which policy models are communicated, contested, adapted and transferred. A recurrent theme in this analysis is that, in the process of transfer, policies are refracted and reworked through the particular constellation of political, legal, social, historical, economic, cultural and characteristics of the recipient nation. Policy transfer is not a simple unilinear process. It is complex and contested involving both agency and structure.
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Appendix 1 Examples of Privatisation Forms

**Asset sales** - The government sells ownership of the company and/or property associated with the state-owned enterprise (SOEs) to private firms or investors, either partly or wholly (Megginson and Netter, 2003; Seidenstat, 1999).

**Share issue** – The government sells equity shares through the capital market. It is a significant method of privatisation. Jones et al. (1996) report that up to 1997, governments in 59 countries raised over US$446 billion over 630 share issue privatisation (SIP) transactions (Megginson and Netter, 2003).

Megginson and Netter (2003) find that the nature of the capital market affects the decision to privatise. SIPs are more likely when a country has more equity income. A government has to decide whether to sell the SOE in the public capital market (SIP) or private capital market (asset sale). In addition, a country’s political and legal environment, the size of the offering or sale, and the profits of the SOEs affect the choice of privatisation. More profitable SOEs and larger offerings are likely to be privatised through SIPs and public capital market.

Jones (1996), reporting on sales of SOEs through 630 SIPs in 59 countries between 1977 and 1997 (except the USA), found that the initial SIPs are much larger than typical stock offerings. Jones also claims that in many SIPs, the government keeps a ‘golden share’ to retain veto power for significant enterprise decisions.

**Combination of methods** – A combination occurs where two or more of the privatisation methods discussed below are employed in one privatisation (Savas, 2000).

**Voucher privatisation** - The government provides papers, claimed exchangeable for SOE ownership, to each citizen virtually for free or at a very low price (Megginson and Netter, 2003). This method has been used only by former communist Soviet Bloc countries including Russia, the Czech Republic and Poland. Voucher privatisation is similar to SIPs, and also distributes the share of ownership broadly as in the case of SIPs. The difference is that the free voucher is more politically acceptable, and allows all citizens to have equal access to the SOEs’ shares regardless of their income differences. Voucher privatisation is also called ‘mass privatisation’ (Ure, 2003).
**Auction** - Companies are auctioned off to the highest bidder (Bortolotti and Siniscalco, 2004). The auction or tender process and the sale of subsidies are part of private sale (Graham, 2000).

**Small privatisation** – This takes place in Eastern and Central Europe, where the state sector extends operating rights to small enterprises, as in the case of retail kiosks (Graham, 2000).

**Management or employee buy-outs** – This takes place when there is a sale of a large privatised firm (of over 250 employees) to the employees or the management. This method is more common in Eastern and Central Europe than in western or developing countries (Graham, 2000).

**Corporatisation** - The SOE changes its organisational structure to more closely represent a private corporation, with a government-appointed board that often takes over most of the managerial responsibilities from the government with at least 50 percent of the shares being sold to private shareholders (Gupta, 2000). Corporatisation can be used to transform a SOE into a private corporate form before its sale to the private sector (Graham, 2000).

**Initial public offering** – This is the sale of a government company, either partly or wholly, in terms of equities. According to the OECD, public offering has been an important method for privatisation since 1990 (Graham, 2000).

**Grant of licenses and franchises** - These are given to private companies for production and/or distribution of goods and services (Graham, 2000). This is often in areas with a government monopoly or very restricted competition (ibid).

**Private sector participation** - This occurs where private sector organisations become involved in the production, financing or distribution of the products of state-owned enterprises (Graham, 2000).

**Deregulation and liberalisation** – This refers to the removal of legislation and other rules which inhibit private sector organisations from competing in particular markets (Graham, 2000). It results in the private sector penetration of service markets previously monopolised or dominated by government agencies, including SOEs (Ure, 2003). This relaxation of regulations provides greater flexibility and facilitates improvement in management of the state enterprises under the processes of privatisation (Gunawardana and Withers, 2000). Liberalisation refers only to the elimination of regulations, obstacles which hamper free-market operations.
**Build-Operate-Transfer (BOT)** - This takes place when exclusive franchises/concessions are awarded to private operators. This was the first privatisation arrangement implemented in Thailand’s telecommunications sector and involved SOEs remaining under the ownership of the Thai government (Ure, 2003). Variants on this form of privatisation include Build-Transfer-Operate, Build-Own-Operate, Build-Lease-Transfer and Rehabilitate-Own-Operate (Turner and Hulme, 1997, p193).

**Government withdrawal from any specific service** - The government may decide to withdraw from the provision of particular services and/or goods. Such a closure or liquidation of a public enterprise is usually considered a form of divestment, as it opens up economic opportunities for the private sector (Dhiratayakinant, 1991).

**Divestiture** - This refers to the sale of government assets to the private sector, and thus represents the transfer of asset ownership from the government to the private sector. In almost all countries, government assets that are for sale - either in whole or in part - almost exclusively involve public or SOEs (Dhiratayakinant, 1991).

**Joint public-private venture** - Instead of selling a public enterprise (either in whole or in part), a state-owned enterprise may set up subsidiaries with private companies or jointly form new private venture companies in the same business or in an allied field (Dhiratayakinant, 1991). These public-private partnerships involve a contractual arrangement between the government and a business partner (Seidenstat, 1999).

**User charges** - Here, the government produces the service, but shares the financial responsibility in varying degrees with the users of the service by charging fees. By acting as a price discriminating monopolist, the government is able to recoup the costs of service provision (Dhiratayakinant, 1991).

**Leasing** - The government or a public enterprise may lease its assets to the highest bidding private operator for a specified time or to private individuals who are willing to meet the terms specified in the lease. Leasing involves the temporary turnover of the management of government assets to private firms for a given period, with the understanding that the assets could be taken back when the situation warrants or the term expires (Dhiratayakinant, 1991).

**Franchising** – This term is used to award monopoly privileges to a private firm to supply a particular service. The price charged by the franchisee is regulated by the government agency
which grants the franchise. A franchise can be exclusive (i.e. only one franchisee in a definable geographic or service area has the right to produce the service) or nonexclusive (multiple franchises are awarded to several firms or individuals, all of whom have the right to produce the same service) (Dhiratayakinant, 1991). Franchising can have different variants, such as build-transfer-operate (BTO) and build-operate-transfer (BOT), depending on government motivations, economic climate and existing service and infrastructure capacity (Seidenstat, 1999, p.6)

**Contracting out** – This takes place when a production contract is awarded by the government after a competitive bidding process to private firms or other nongovernment organisations to produce goods or services for which the government is responsible (Dhiratayakinant, 1991). This is also known as service shedding, when the government stops providing a service to allow the private sector to participate (Seidenstat, 1999).

**Contracting in** – This is a rarely used form of privatisation where the private sector plays the role as a provider but the government is a user (Seidenstat, 1999). Savas (2000) concluded that it was more expensive for many reasons, including corruption and increased unemployment, although provided sufficient auditing and transparency checks exist, favourable conditions can exist for contracting in.

**Managed competition/competitive contracting** - Government departments or agencies currently producing the service are allowed to bid on contracts. The service can be contracted out to private firms, or be operated in house if that bid is preferred (Seidenstat, 1999).

**Farming out** – Dhiratayakinant (1991) mentions that farming out is a form of privatisation of tax collection practiced in Siam until the 1900s. The King awarded monopoly privileges to the highest bidder, who promised to secure a fixed amount of money (in the case of tax collection) or a fixed quantity of a given service. The successful bidder would also bear the cost of collection or production. Unlike contracting out (in which the lowest bidder is paid for producing the service), in farming out the winning bidder is not paid for the service.

**Volunteer activities** – The government provides or operates some programmes that require volunteers to implement them. The government may collaborate with the private sector to fund the service (Seidenstat, 1999).
**Contestability environment** - Hemming was of the view that privatisation does not have to involve public asset sales, and discussed another form of privatisation that creates a ‘contestability’ environment (Hemming an