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นายเทพราช รังสิต

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IMPLICATIONS OF THE ONE TAMBON ONE PRODUCT POLICY ON
SUSTAINABLE DEVELOPMENT IN THAILAND



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สถาบันวิทยบริการ

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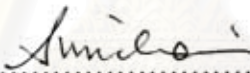


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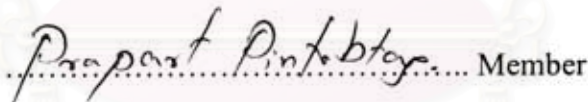
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เทพราช ริงสิต : นัยสำคัญของโครงการหนึ่งตำบลหนึ่งผลิตภัณฑ์ต่อการพัฒนาที่ยั่งยืนในประเทศไทย
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เป้าหมายของโครงการหนึ่งตำบลหนึ่งผลิตภัณฑ์ภายใต้รัฐบาลของพล.ต.ท. ทักษิณ ชินวัตร มักถูกเชื่อมโยงต่อทฤษฎีของการพัฒนาแบบยั่งยืนของไทย เนื่องจากความสามารถของโครงการในการผลักดันให้เกิดกระบวนการหลักสามอย่าง คือ 1.) การกระจายอำนาจการปกครองของท้องถิ่นทั่วประเทศ (ทั้งในระดับหมู่บ้าน , ตำบล และจังหวัด) 2.) การส่งเสริมให้ชุมชนมีส่วนร่วมในการปกครองและการพัฒนาท้องถิ่น 3.) การก่อเกิดการสร้างงาน / รายได้ในชุมชน

วิทยานิพนธ์เล่มนี้มีจุดประสงค์ที่จะวิเคราะห์

1. การเชื่อมโยงของนโยบายหนึ่งตำบลหนึ่งผลิตภัณฑ์ต่อหลักทฤษฎีของการพัฒนาแบบยั่งยืนของไทย
2. เปรียบเทียบความต่างระหว่างหลักการในการดำเนินงานและตัวชี้วัดความสำเร็จของนโยบายหนึ่งตำบลหนึ่งผลิตภัณฑ์ และของภาคเอกชนซึ่งดำเนินการภายใต้หลักการทำงานขององค์กรการค้าที่เป็นธรรม (Fairtrade)

วิธีการวิจัยได้แก่ การวิเคราะห์เอกสารที่เกี่ยวข้องกับการประเมินความสำเร็จของโครงการ และการสัมภาษณ์เจ้าหน้าที่จากสำนักงานคณะกรรมการวิจัยแห่งชาติ รวมไปถึงตัวแทนจากองค์กรในภาคเอกชนซึ่งดำเนินการภายใต้หลักการทำงานขององค์กรการค้าที่เป็นธรรม เพื่อที่จะเปรียบเทียบความแตกต่างในการประเมินความสำเร็จและหลักเกณฑ์ที่ชี้นำการดำเนินงานของผู้ผลิตภายใต้โครงการทั้งสอง

ข้อค้นพบได้แก่รายได้ของนโยบายหนึ่งตำบลหนึ่งผลิตภัณฑ์ที่เกิดจากภาคเอกชนหรือภาคเอกชนที่จดทะเบียนเป็นผู้ผลิตชุมชนนั้น ไม่สามารถเป็นดัชนีวัดของการพัฒนาศักยภาพของชุมชนหรือการกระจายรายได้อย่างเป็นธรรมได้และ การใช้ตัวเลขเชิงปริมาณมาเป็นตัวชี้วัดความสำเร็จของนโยบาย หนึ่งตำบลหนึ่งผลิตภัณฑ์ โดยไม่ให้ความสำคัญต่อผลกระทบเชิงคุณภาพที่เกิดขึ้นหรือความเป็นธรรมในการค้า (หรือการจ้างงาน) อาจสะท้อนให้เห็นถึงผลการดำเนินนโยบาย ซึ่งเน้นแต่การก่อเกิดผลงานเชิงปริมาณ (เศรษฐกิจ) โดยไม่ได้ให้ความสำคัญต่อผลกระทบทางสังคมหรือชีววิทยาที่ตามต่อหลักทฤษฎีของการพัฒนาแบบยั่งยืน

นอกจากนี้ สามารถสรุปได้ว่าการที่โครงการจะสามารถผลักดันให้เกิดการพัฒนาและเสริมรายได้ ตามต่อหลักการของการพัฒนาแบบยั่งยืนได้นั้น อาจจำเป็นที่จะต้องมีการจำแนกประเภทของผู้ผลิตที่ร่วมโครงการ รวมถึงการควบคุมเงื่อนไขภายใต้การทำงานของผู้ผลิตในโครงการอย่างชัดเจน เพราะอาจเป็นแนวทางที่ช่วยให้นโยบายหนึ่งตำบลหนึ่งผลิตภัณฑ์ กลายเป็นนโยบายที่สามารถสนับสนุนการพัฒนาศักยภาพของชุมชน และสร้างรายได้เสริมให้แก่ชุมชนอย่างเป็นรูปธรรม หากเปรียบเทียบกับเป้าหมายปัจจุบันของ โครงการที่เน้นการสนับสนุนผู้ผลิตรายย่อย (โดยไม่จำแนกประเภทของผู้ผลิต) และการมุ่งเน้นแต่ตัวเลขการขายของผู้ผลิตแต่ละจังหวัด โดยไม่ให้ความสำคัญถึงผลกระทบที่เกิดขึ้นต่อชุมชนเป็นอย่างใด

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TABLE OF CONTENTS

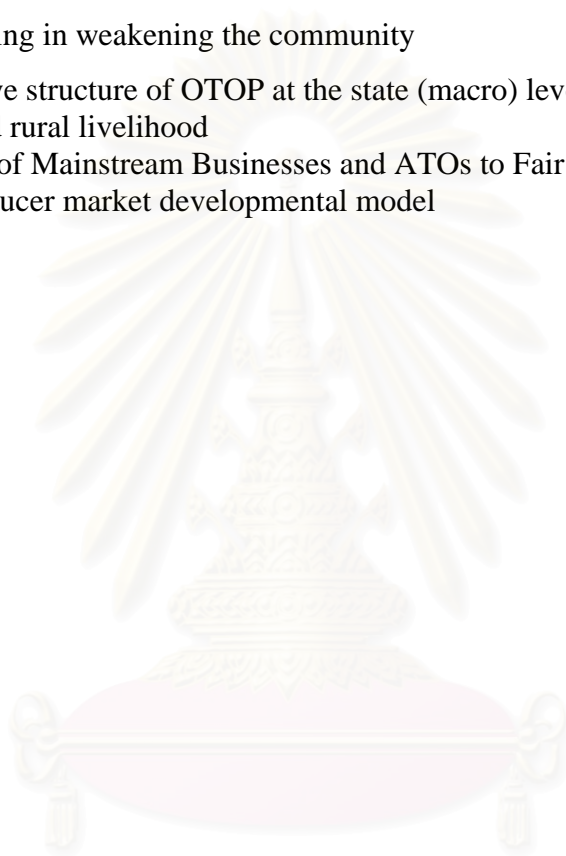
	PAGE
ABSTRACT (THAI)	iv
ABSTRACT (ENGLISH)	v
ACKNOWLEDGEMENTS	vi
TABLE OF CONTENTS	vii
LIST OF FIGURE	x
LIST OF TABLES	xi
ABBREVIATIONS	xii
CHAPTER I INTRODUCTION	1
1.1) Background.....	1
1.2) Objectives.....	4
1.3) Hypothesis.....	5
1.4) Analytical Framework.....	5
1.5) Scope of Study.....	6
CHAPTER II SUSTAINABLE DEVELOPMENT AND ITS TWO OBJECTIVES	7
2.1) The definition of SD.....	8
2.2) The two chief differentiated forms of SD.....	11
2.2.1) The Localized forms of SD and its objectives.....	11
2.2.2) Thailand and its localized form of SD.....	15
2.2.3) The advocacy for alternative developmental paths in Thailand.....	18
2.2.4) The Conventional (globalised) form of SD.....	21
2.3) The adoption of SD based initiatives by the Chuan government, an inevitable alternative.....	25
CHAPTER III THE CALL FOR ALTERNATIVE DEVELOPMENT IN THAILAND AND THE EMERGENCE OF THAKSINOMICS	28
3.1) Background to the nature of industrialization in Thailand and unequal development in Thailand.....	28
3.1.1) Characteristics of development in Thailand prior to the 1997 economic crisis.....	29
3.1.2) 1997-2001 a period of transformation.....	31
3.2) Thaksinomics.....	33

3.2.1) Decentralization and participatory development under Thaksinomics.....	35
3.2.2) Comparison between Thaksinomics with the normative (localized) paradigm and the Interest-based paradigm.....	36
CHAPTER IV OTOP POLICY AND ITS BASIC CONCEPTION.....	39
4.1) OTOP policy and its basic conception.....	39
4.2) Policy implementation.....	40
4.3) Product Range within the OTOP initiative.....	43
CHAPTER V ALTERNATIVE TRADE ORGANIZATION AND THE FAIR TRADE MOVEMENT.....	45
5.1) The basic conception of Alternative Trading Organizations and the Fair Trade Movement.....	43
5.1.1) Principles utilized by Fair trade to ensure equitable trade.....	47
5.1.2) Fair Trade, a viable and growing market.....	51
5.2) Fair Trade Initiatives in Thailand.....	52
5.2.1) Fair trade coffee.....	53
5.2.2) Fair trade rice in Thailand.....	54
5.3) Thaicraft: OTOP's Fair trade counterpart for craft products.....	54
5.3.1) Case Study 1: Fair trade craft producer, Sop Moi Arts, from self-help initiative to self-sufficient producers.....	55
5.3.2) Case study 2: World of good Fair trade pricing report.....	56
CHAPTER VI OTOP POLICY UNDER THAILAND'S CONTESTING DEVELOPMENTAL PARADIGMS.....	59
6.1) SD in Thailand in relation to the background of OTOP.....	59
6.1.1) The informal sector and its vital characteristics.....	62
6.1.2) Income diversification and Employment creation in context of development initiatives.....	63
6.2) Clarification of OTOP's contribution towards community empowerment.....	64
6.3) The assessment and portrayal of OTOP by related agencies.....	69
6.4) OTOP in relation to the conceptual implication of SD in Thailand.....	74
CHAPTER VII COMPARATIVE ANALYSIS OF THE OPERATING PRINCIPLES OF FAIR TRADE AND OTOP.....	78
7.1) Type of producers endorsed by OTOP.....	79
7.2) Type of producers endorsed by the Fair trade movement.....	81

7.3) Producers endorsed: summary.....	83
7.4) Conditions under which production occurs: OTOP.....	85
7.4.1) The nature of the organization.....	85
7.4.2) OTOP production and ecological sustainability.....	86
7.5) Conditions under which production occurs: Fair Trade.....	87
7.6) Conditions under which production occurs: summary.....	89
7.7) Ways in which products are marketed: OTOP.....	90
7.7.1) Marketing and market expansion initiatives of OTOP.....	92
7.7.2) Alteration of production process within OTOP producers.....	95
7.8) Current market and marketability of TC products.....	97
7.8.1) Ways in which products are marketed -Fair trade.....	98
7.9) Marketing Strategies of the two initiatives-summary.....	100
7.9.1) Expansion of market channels.....	100
7.9.2) Alteration of production process and producer transformation.....	102
7.10) Comparative Analysis Conclusion.....	103
7.10.1) Types of producers endorsed.....	103
7.10.2) Conditions under which production occurs.....	104
7.10.3) Marketing.....	104
CHAPTER VIII CONCLUSION AND RECOMMENDATION	106
8.1) OTOP's conceptual implication in relation to SD and CE.....	106
8.2) Recommendation.....	109
8.2.1) The need to differentiate between the types of producers endorsed...109	
8.2.2) The need for a standardized regulation on the conditions under which production occurs.....	109
8.2.3) Shift of emphasis from quantity of trade to the quality of trade.....	110
APPENDICES	112
APPENDIX A.....	114
APPENDIX B.....	116
APPENDIX C.....	118
REFERENCES	118
BIOGRAPHY	125

LIST OF FIGURES

Figures	Page
1. The Sustainability Triangle	10
2. Casual Relationship between Government’s market based development paradigm resulting in weakening the community	19
3. Administrative structure of OTOP at the state (macro) level	42
4. A diversified rural livelihood	64
5. Relationship of Mainstream Businesses and ATOs to Fair Trade practices	90
6. OTOP’s producer market developmental model	92



สถาบันวิทยบริการ
จุฬาลงกรณ์มหาวิทยาลัย

LIST OF TABLES

Tables	Page
1. The Post-modernist/Localized paradigm of SD	17
2. Critical difference between the localized notion of development against the contemporary notion	20
3. The conventional/neo-liberal based paradigm of SD	24
4. The national income distribution between the different income segments in Thailand	30
5. Comparison of Interest-based, Bottom-up and Top down political style in Thailand	37
6 Aggregated number of OTOP producers in 2004	44
7 Fair trade's method of instigating community empowerment and equitable trade	50
8 OTOP's contribution in relation to its stated objectives received by different types of producers being SMCEs and SMEs	68
9 Average movement of workers seeking employment outside their regions	70
10 Average income change in different regions	71
11 Group members prior to the commencement of the OTOP in 2001	73
12 Group members following commencement of OTOP after 2001	74
13 Contribution of OTO's differentiated producers to the policy implication of sustainable development	77
14 Differentiated organizational distinctions within the OTOP policy	80
15 Partnership producers of Thaicraft by region	82
16 Type of producers endorsed Thai Craft	82
17 List of TC partners that have become part of the OTOP initiative	84
18 Pre-OTOP sales of different organizational types	95
19 Post-OTOP sales of different organizational types	95
20 Marketing strategy of OTOP and Fair Trade	104
21 OTOP's conceptual implication to SD under Thaksin Objectives	109

CHAPTER I

INTRODUCTION

1.1) Background

A key feature of the rural development schemes of the Thaksin government which came to power in 2001, lay in its utilization of the Tambon (Sub-district) administered by locally elected members of the Tambon Administrative Organization (TAO) as a basis for its various national policies. Since 2001, The TRT's dual track approach has been presented by the government as a practical interpretation of the 9th National Economic and Social Development Plan (NESDP), as a strategy aiming to establish a 'Sustainable Path' of development giving equal emphasis to economic as well as social and ecological aspects of development. These policies are portrayed to be antidote to the insatiable policies of the previous (pre-2001) governments which invariably concentrated upon financial and industrial progress, without adequate distribution of wealth/benefits to rural stake-holders, as well as the limited extent of participatory based policies initiated. Among the many innovative national policies of the TRT government often referred to as Sustainable Development (SD) based policies, the One Tambon One Product (OTOP) Policy could certainly be considered to be the policy with the most tangibly recognized accomplishments.

'OTOP' is essentially a national incentive of utilizing 'Trade' of goods produced by Small scale producers at the Tambon level throughout the nation as a developmental tools with primary objectives which are said to be:

- 1.) The creation of job opportunities within the local community.
- 2.) The empowerment of local communities to become self reliant.
- 3.) The promotion of local knowledge in development process.
- 4.) Promotion of Human Resource Development in the local community.
- 5.) To promote a developmental paradigm most suited to the local culture/local livelihood (The office of Small and Medium Enterprises Promotion, viewed 13 August 2004, <http://www.sme.go.th/websme/smeeng/otp/what_otop.html>).

According to the government, OTOP is successful in its propagation of SD in the rural areas due to its ability to generate local employment and an increase in 'value added trade' from the utilization of locally available resources (skills/knowledge and natural resources), which is meant to strengthen the economic foundation of the communities throughout the nation in the long run (Suphat T, Korawan S., 2004). The term Sustainable Development however, despite being widely quoted as a developmental model which takes into consideration economic, social and ecological aspects of growth has been increasingly recognized as an extremely contested notion, full of inherent dilemmas and potential conflicts of interests, often resulting in economic growth with dubious social/cultural and ecological implications. Certain principle examples of inherent conflicts of interests contained within the notion of SD are such as:

- The Interest of the present generation VS Interest of the future generation
- Human well-being VS protection of nature
- Rural perception Vs Urban Perception

The vagueness of SD has led to the argument by certain economist that '*it would be difficult to find another field of research endeavor in the social sciences that has displayed such intellectual regress*' (Dasgupta and Maler, 1995). Nevertheless, based on the conceptual usage of SD related terminologies, SD according to Leef (2000) could generally be divided into two differing approaches:

- 1.) the Contemporary (market based/neo-liberal) approach to SD and
- 2.) the Localized (post-modern) approach to SD

However, Mcneil (2000) has argued that the differentiated perception of SD held by various stake-holders (such as academics, civic groups, politicians and the bureaucracy) from policy planning to the implementation process has greatly contributed to the ambiguity of SD and its developmental implication.

In the case of Thailand and the OTOP policy in particular, different stakeholders have had different views on the ability of OTOP's policy implication and its portrayal (by the TRT government) as an income distribution mechanism and community empowerment initiative at the Tambon level throughout the nation. Based on the conceptual framework of SD, the utilization of economical/financial (quantitative) indicators alone is inadequate in the portrayal of the policy's potential

social/cultural and ecological (qualitative) aspects of the policy. As according to the principle of SD, 'qualitative' (social/cultural/ecological) issues are seen to be of equal importance to 'quantitative' (economic/financial/demographical) aspects of 'sustainable growth', thus a major criticism of OTOP is based on its lack of consideration for the equity of trade conducted by its producers. Examples of OTOP's policy implications, which have rarely appeared in published reports during the tenure of Thaksin government, are such issues as the marginalization of workers within the OTOP initiative or the lack of consideration by related agencies on the implications of the policy to its unsuccessful producers. Various academics/activists have also reported that privately owned SMEs are seen to be the major benefactors of the OTOP rather than community based SMCE as suggested by Vibul Khemchalerm, a well known community leader and Agro-Forester.

According to Khemchalerm, while the conceptual implication of the OTOP policy was an extremely viable approach to instigate the ideals of the nation's localized vision of development, indicators of policy success should not be measured through the amount of financial transaction or commercial activities generated (quantitative indicators) alone, as trade if not conducted under equitable circumstances that respects the cultural (and ecological) integrity of the community should not be considered as sustainable income generation (Traisuriyadhamma, P 2004). There is a wide spread belief among certain developmental workers many whom have contributed towards the formulation of the policy such as Petchprasert (2005) or Phongphit (2004) whom have articulated that OTOP's policy implication under the Thaksin government has turned out to be reflecting an overtly neo-liberalistic approach to community development. Pintobtang and Kochsawat (2005), in their comprehensive survey of 164 OTOP producers have pointed out the fact that OTOP's actual implication on producers varies greatly and the extent of a products actual financial benefit (through increased trade) or employment creation is extremely tentative and sporadic among different producer groups. Kuwinpant (2005), in his analysis of the implications of OTOP and tourism in Phayao province reflects that a large number of the published reports on the OTOP and SME growth such as those by Paitoon (2002), Chalamwongs (2002), Khongsawatkiat (2002) tend to be primarily concerned with the economic and managerial aspects of producers with less emphasis on sociological or cultural implications of the policy. In this regard it is also the belief of the thesis that the majority of available secondary data on the OTOP are

often appraisal reports on the managerial production reports/aspects of the countless producer groups, while socio-cultural aspects of OTOP on the community are typically marginalized. Kuwinpant clearly advocates the need to emphasize more on sociological and cultural (qualitative) aspects of OTOP in order to better comprehend the impact of commercialization and globalization on the nation's rural communities through policies such as OTOP or the TRT's other populist policies. It is thus the belief of the thesis that although OTOP is claiming to be an enabling mechanism of SD and community empowerment, there is perhaps a lack of adequate operating principles which enables it to conduct trade under circumstances which gives equal emphasis to socio-cultural/ecological (equitable) aspects of trade. If increased commercialization and continuous income generation alone are the objectives of OTOP, then the policy's current operating principle may be deemed as adequate for the stated purpose. However, since OTOP is also meant to be an enabling mechanism of SD, the analysis of the policy implication should not be solely based on quantitative indicators alone as according to the theoretical connotations of SD, equal emphasis must be given to

- Qualitative aspects of the policy
- The (social/environmental) equity of trade conducted

In this regard, OTOP's ability as an instigator of SD (or sustainable growth) remains ambiguous, as trade if not conducted under equitable circumstances (despite the level of commercial transaction/profit or employment generated) should not be considered as an enabling mechanism of sustainable growth since it does not take into consideration the (need to minimize) potential sociological, cultural and ecological implications of the policy.

1.2) Objectives

- 1.) To clarify OTOP's conceptual implication for the notion of SD in Thailand.
- 2.) To identify the differences between the operating principles of OTOP and the Fair Trade movement, and their implication towards the enabling of SD and community empowerment.

1.3) Hypothesis

OTOP's stated objective of being an enabling mechanism of sustainable growth does not seem to comply to OTOPT's current policy implication due to its overt emphasis on the maximization of trade without adequate consideration to the nature of community learning process enabled, or the socio/cultural/ecological (equity) of trade conducted.

1.4) Analytical Framework

In order to examine OTOPT's policy implication to the enabling sustainable growth in Thailand, it is the objectives of the thesis firstly to clarify OTOPT's conceptual implication to the notion of SD in Thailand. This is to be done through an analysis of the two major contesting developmental paradigms in Thailand in order to clarify their relation to the strategic objectives and conceptual framework of the OTOPT policy formulated by the TRT government.

Secondly, the thesis aims to conduct a comparative analysis between OTOPT's method of instigating its objectives with a conceptually comparable initiative known as the Fair-Trade Movement (FTM) in order to highlight the differentiated approach for sustainable income generation and community development. The reason Fair trade has been chosen as a comparative benchmark for OTOPT is due its identical conceptual implication, as an initiative which utilizes goods made by small scale community producers as an enabling mechanism for sustainable income generation and community empowerment. Both initiatives also share the strategic objective of enabling disadvantaged communities and small scale producers to be able adapt with modernization in ways which reflects and preserves their cultural identity. However, despite the similar objectives, OTOPT and Fair trade have a surprisingly different approach towards achieving their objectives which is in turn reflected through their differentiated policy implication on the local communities. While Fair Trade also seeks to develop production techniques (based upon dialogue with its produces) and to enable wider market access for producers, the most significant aspect of the FTM's

operating principles is its recognition of the need to ensure the equity of trade conducted through the standardization of factors such as:

- Fair Wages in local context
- The Provision of a Safe and clean workplace
- Emphasis on sustainable business practices rather than profit maximization
- Strict commitment to the empowerment of workers and artisans through their rights and roles as stakeholders within the operational practices
- Environmental rationality
- Gender equity

Through the comparative analysis of the essential differences in the operating principles of OTOP and Fair Trade, the thesis aims to demonstrate OTOP's current lack of adequate guiding principle to ensure the equity of trade conducted by all its producers or the appropriate structure for maximizing the community learning process.

1.5) Scope of Study

Primary research data was obtained from the period of March to May 2005 in the form of qualitative interviews in which specific queries were discussed in order to demonstrate the comparative differences between the operating principles of the OTOP and those of Fair trade organizations. Emphasis is given to three particular comparative aspects being: 1.) The type of producers endorsed 2.) Condition under which production occurs and 3.) Ways in which products are marketed.

The first interview was conducted with two specialized agents of Fair trade in Thailand being Stephen Salmon, the director of Thai Crafts and the of the Thai Craft Association, the second interviewee being Om Beaukeaw, Marketing director of Thai Craft and a specialist on Fair trade organizations in Thailand.

The second interview was also conducted with two researchers involved with the assessment of the OTOP policy published in 2004 by the National Research Council of Thailand (whom have requested anonymity). Issues discussed were based on the current indicators for evaluating policy success as well as the marketing

aspects of OTOP particularly the potential cultural implication of the policy and the extent in which consideration is at current given by related state agencies to such issues.

Related secondary data of OTOP and the analysis of its policy implication in various aspects has been presented and analyzed throughout the thesis in order to demonstrate OTOP's emphasis on the commercialization of its products above its commitment for the enabling of community empowerment and equitable trade. Although Fair trade is at current a novelty concept in Thailand there exists a moderate amount of published reports and academic researches which have been utilized to demonstrate Fair trade's extent of success and feasibility in Thailand.



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CHAPTER II

SUSTAINABLE DEVELOPMENT AND ITS TWO DIFFERENTIATED PATHS

2.1) Definition of SD

The definition of SD as given by the World Commission on Environment and Development (WCED), popularly known as Brundtland report is: *'development that meets the needs of the present without compromising the ability of the future generations to meet their own needs'* (Brundtland 1987, P.8).

The Brundtland report essentially implies that economic development (through growth) is desirable and that every nation has the potential to become developed (as 'growth' would eventually lead to 'development'), regardless of the so called 'drawbacks' (such as environmental degradations, absconding of traditional values/culture) which is deemed necessary in order to improve the general well being of the nation as a whole. The terminologies and conceptions presented by the Brundtland report were initially limited within the utilization of developed states. The global recognition and popularization of SD emerged as the result of the 1992 Rio de Janeiro Earth Summit, which led to the publication of the international agreement known collectively as 'Agenda 21'.

The explanation given by the Brundtland report, despite being the most widely quoted definition has often been viewed by anti-globalisation and Environmental-Democracy movements throughout the globe as an agenda designed by capitalist powers as an environmentally friendly representation of the neo-classical economic system. In comparison SD as defined through Agenda 21 is seen in a more favorable light by global civic movements due to its emphasis on disaggregate needs of societies, community empowerment, the enablement of different cultures to acclimatize its principles according to their own developmental needs, and their capability to form and adjust with correlated institutional structures. Nevertheless Agenda21 is merely a guideline without formal enforcement mechanisms, in which various nations were meant to acclimatize its principles according to their own developmental needs, and their capability to form and adjust correlated institutional structures. Although more than 178 nations including the Thailand, adopted the

principles of Agenda21 at the United Nations Conference on Environment and Development (UNCED) in 1992 a decade after its initiation, the accomplishment of agenda 21 is unclear, due to differentiated policy formulation and level public participation in developmental initiatives in different states.

There is also a general realization among policy makers and developmental workers that despite the guiding principles of Agenda 21, the adaptation and interpretation of SD often varies greatly among and between the four main actors involved being the Academics, the Activist (civic groups), the Policy makers (Politicians and Technocrats) and the Bureaucrats that are meant to instigate such policies (McNeil 2000). The chief contradiction within the notion SD lies in the opposing tenets of ‘Sustainability’ and ‘Development’, which implies the incorporation of ‘Environmental Sustainability’ and ‘Economic Sustainability’ coupled with the dimension of ‘Cultural (Social) Sustainability’ as the third set of objective. Therefore the basic principles of SD are made up of 3 contrasting disciplines that are meant to complement one another:

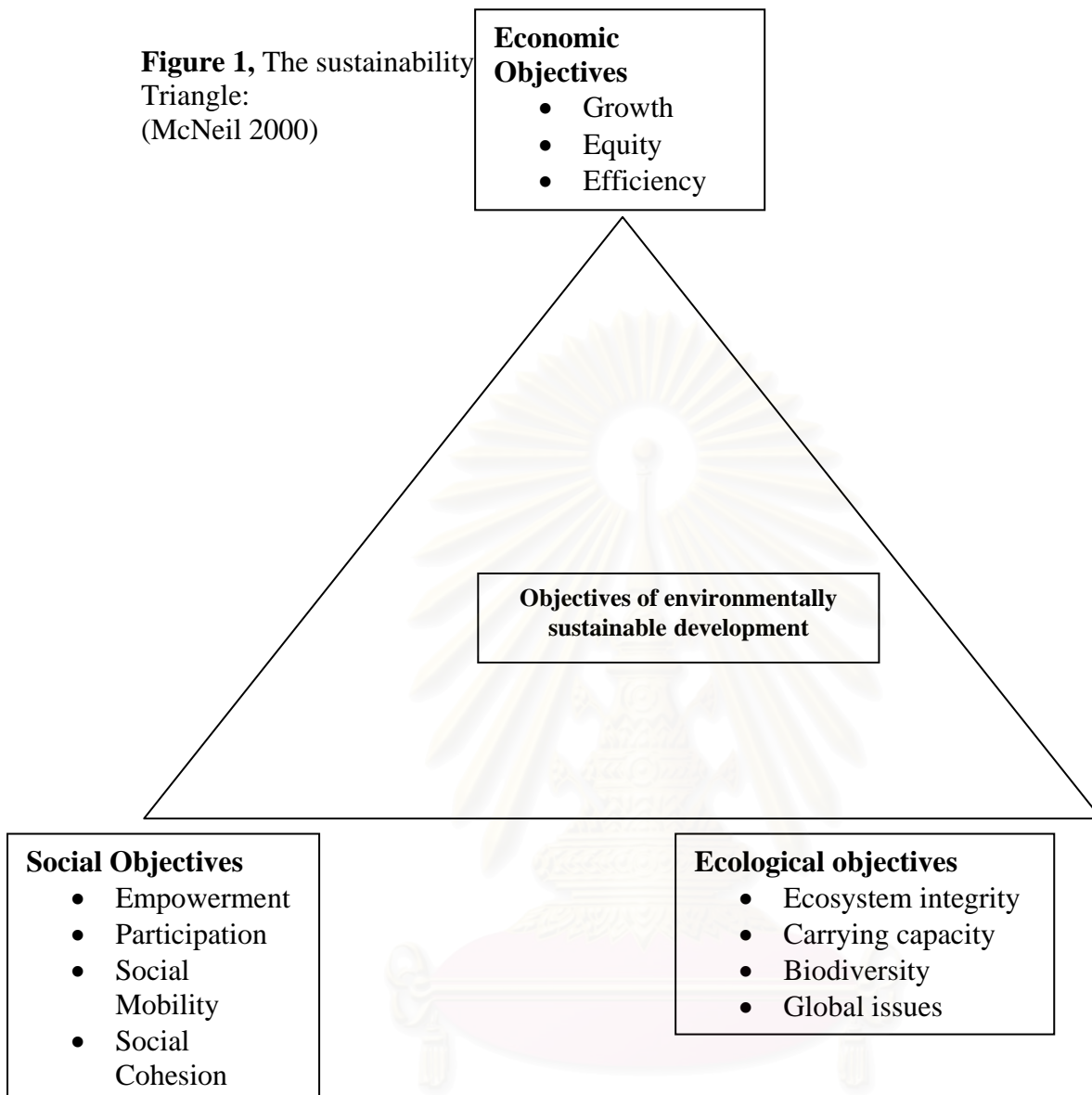
*“**Economics** is concerned with the interactions of individuals as rational, self-interested, autonomous, maximizing decision-makers, with the emphasis on the collective. It considers nature both as a resource/constraint and as a locus of meaning.*

***Anthropology** regards human beings interacting with one another not only as decision makers but also as meaning-makers, with the emphasis on the collective. It considers nature both as a resource/constraint and as a locus of meaning.*

***Ecology** is concerned with human beings as a species, interacting as biological beings, both with their own and other species and with the inorganic environment; the emphasis is on the whole as a system.”*

(McNeil 2000)

Figure 1, The sustainability Triangle:
(McNeil 2000)



Never the less, as each society is meant to utilize development in accordance with its own cultural context, its vital needs, and internal relationship of its various stakeholders:

‘As originally articulated "sustainable" captured the environmental issues (assumed to centre on the needs of future generations) while "development" captured the economic/poverty issues (assumed to centre on the needs of the present generation). The concept has since been broadened, in recognition of the non-environmental aspects of sustainability, and the non-economic aspects of development’.

(Globalization and Health, the world summit on sustainable development: reaffirming the centrality of health, viewed May 2005,

<<http://www.globalizationandhealth.com/content/1/1/8>>)

2.2) The two chief differentiated forms of SD

Amidst the increasing popularity which the terminologies of SD has been employed in the last decade, the term is however far from being a homogenous concept. No applicable conceptual framework is consistently effective, given the variety of scales inherent in different conservation programs and different societies. Despite its varied forms as seen through differing practical connotations implemented, the concept of SD has essentially evolved into two distinct paths, as according to Leef (2000):

‘Two different views have emerged from strategies for sustainability, informed by antagonistic social interests. 1.) The first seeks to solve the problem of environmental degradation through capitalization of nature, international consensus, command and control policy instruments and free-market mechanisms.

2.) The second, opposing economist approach sees environmental rationality as being constructed in grass roots organizations, at local community and municipal level. This ecological path, taken by peasant and indigenous communities for the socialization of nature and self-management of their environmental potentials for sustainable development, constitutes the new environmentalism of the South. It is giving impulse to new social actors in the rural areas of such economies, who are struggling to regain control over their heritage of natural and cultural resources

(Leef, E (2000) Sustainable Development in Developing Countries, Edinburgh University Press, Page 67).

These two differentiated form of SD would thus be termed the Conventional (Globalised) form of SD and 2.) the Localized form of SD.

2.2.1) The Localized forms of Sustainable Development and its objectives

Chief Characteristics of the State Centered Developmental System (SCDS) dominant in much of the developing world are:

- 1.) Its Monopolistic control of resources
- 2.) Top-down execution of policies based on the ideals of the westernized national elites (and sustained by the monopolization of wealth and political power of the urban

populace) acting as the main mechanism of resource extraction through the Center-periphery relationship.

Under these circumstances often seen to be characteristics of developing societies, rural communities despite being the majority stakeholder within society find themselves marginalized and dependent on outside political and economic forces. The principle belief of the localized paradigm (of development) lies in the agreement that the implementation of various eurocentric-modernization initiatives throughout the 1950-1990s has proven to be ineffective in fulfilling the essential needs of the global masses living predominantly in rural areas throughout the developing world. The large and ever growing income distribution gap between the income of the rich and the poor, the urban and rural throughout the developing world is seen by advocates of alternative development as a clear sign reflecting the undeniable failure of the SCDS in general. Other important justifications that have heightened the inadequacies of the neo-classical economic system are fundamental factors such as:

- Despite the inability of the 'Growth based paradigm' to fulfill the needs of the world's poor, national elites of developing states has increasingly throughout the 1990s continued to identify economic growth and industrialization as the desired approach to development, in which the ultimate objective of the society is based on 'capital accumulation' on the micro as well as macro level.
- The 'Growth through Industrialization' model appears to be no longer sustainable even when it is limited to economically developed nations 'never mind the eventual situation when all economies whole in theory have become developed'.(Lee, K (2000) Global SD: Its intellectual roots, Edinburgh University Press, Page 35).

The conception of Alternative development should not be seen as limited to the two forms of social structures being Capitalist or Socialism but as development whose major emphasis is the cultural background and traditional economic needs of different societies, based on their rights as stake holders within society to utilize and care for their natural heritage. In recent years the principles of 'Green Economics' with its core belief that the economy is a part of the ecosystem rather than vice versa (as in the construct of standard economics) has also been accommodating to the theoretical conceptions of localized SD notion. The localized notion while being a diverse and

differentiated discipline according to the needs and beliefs of different regions, clearly rejects the connotation of neo-classical economics and adheres rather to the notion of the 'Steady State Economy' (SSE) in which quantitative economic growth is not the most primary indicator of development but rather qualitative improvement in quality of life (and qualitative human development indicators). Rather than the viewing the nation state as a Macro Unit of development in which resources are monopolized and managed according to the ideals and interests of the national elites (as in the case of the SCDS), the localized paradigm aims to revive the ability of the grassroots communities to act as independent 'micro units' that can manage and distribute local sources according to their norms and needs, based on the apprehension that poverty (absolute and relative) are seen to be closely linked with lack of access to resources. This is meant to be achieved within the structural facilitation of a democratically elected government.

Despite their diverse and varied stances, groups and movements adhering to an alternative localized vision of development are often described by the mainstream media as being 'anti-globalisation movements' due to their opposition to neo-liberalistic ideas such as 'Free trade', market based mono-crop agriculture or the privatization of state institutions. However, certain western economists realizing the defaults of neo-classical economics have argued that SD should in normative terms imply development that is strictly non-growth based in order to strengthen the latent potential of the term, in which: *'Many believe that the present scale (of economic growth) is beyond long-term carrying capacity (of the planet) and that sustainable growth in its initial phase will require a period of negative growth. Even if one is a technological optimist and believes that development in the productivity of the resource throughput can increase faster than the volume of the throughput needs to diminish, this is still very radical. The term "sustainable growth" aims to deny this radical transformation, and to suggest that growth is still the number one goal, that growth just needs to be a bit more environmentally friendly. Sustainable growth is just one more adjustment to the standard view. "Sustainable development" is an alternative to the standard growth ideology and is incompatible with it'*. (Daly, H E, 1996)

Also:

'To maintain the present scale of population and per capita consumption we are consuming natural capital and counting it as income. The effort to overcome poverty by further growth in scale of throughput is self-defeating once we have reached the point where growth in scale increases environmental costs faster than it increases production benefits. Beyond this point, which we have in all likelihood, already passed, further growth makes us poorer, not richer. The alternative is to stop growth in scale, and seek to overcome poverty by redistribution and qualitative improvement in efficiency of resource use, rather than further quantitative improvement in the resource throughput. A policy of limiting throughput will automatically redirect energies toward increasing the efficiency with which it is used. If technology can easily and greatly increase efficiency, then the transition would be relatively painless. If not it will be more difficult. In either case it remains necessary'. (ibid)

Terminologies such as 'Grassroots-postmodernism', 'Post-Industrial economics' or Ghandian-mode of production has thus been applied to Daly's implied 'non-growth based' forms of development, including Thailand's notion of 'Sufficiency Economy'. Additionally the various endogenous initiatives that has been emerging throughout much of the developing world including Thailand has also been known as the 'environmental democracy movements' due to their combination of the two essential demands on democratization and the rights to the access and management of traditional ecological resources, with emphasis on human development and environmental rationality rather than quantitative output of production. An elaboration of the localized notion is given: *'in rural parts of the South (developing world), sustainability is not viewed as integration with the global economy, but rather as a strategy to deconstruct and delink from world market constraints and to build up a new rationality based upon the cultural diversity of the peoples and the ecological potentials of the environments where their cultures have evolved'* (Leff 1995).

Thus the geographical or cultural roots of the people can be used as platforms to create different forms of localized '**Civil society**', through collective action which could be seen as the power which moves societies forward in the hope of achieving collective goals. In this sense, the definition of civil society could be based on the spheres of social life which autonomously forms into groups outside the centralized establishment. Increasingly the Traditional community has been seen as a suitable basis for the creation of independent/autonomous (social) institutions with the ability

to guarantee security and reduce uncertainty caused by globalisation, this is largely said to be due to the lack of localized civil society in much of the non western society. Thus the notion of 'Community Empowerment' has become an imperative objective in movements based on the localized paradigm of SD and has been gaining increased recognition by national governments in developing states as shall be explored. In the case of Thailand it following the consequences of the economic crisis in 1997 the national policy makers (but not politicians) came to realize the imminent need for the nation to adopt an alternative approaches of national development.

2.2.2) Thailand and its localized form of SD

In Thailand, there had always existed various forms of local initiatives and social safety networks which enabled local communities to become more self-reliant in dealing with the state as well as outside capitalistic forces. These endogenous initiatives have been taking place throughout Thailand (with or without partial governmental support), through differing forms of Social institutions or local community-safety networks such as local natural resource management, occupational training traditional handicrafts, poverty alleviation projects, saving groups and cooperatives, women in development, child education, and primary health care as well as traditional medicines (Nakaornthap S, Chittasanee P 1995 Community Education and Sustainable Development: Cases of Thailand). Theoretically, these initiatives and networks could be seen as the traditional solutions or modern reaction to the inability of the State to provide local communities with adequate means of social security benefits or basic social needs. Nevertheless, they also reflect the ability and true capability of the local community to respond to the outside environment despite the lack of direct support from the state.

The basic tenets of the localized paradigm of SD in Thailand could be presented in a comprehensible order:

- 1.) Capability building as the principle goals of development rather than the principles of market competition and the accumulation of wealth. The competence of neoclassical economics as society's principle analytical tool and measure progress and is rejected, as emphasis towards human well being over the purely economist well being. Development is seen as a continuous learning process, with the objectives of increasing Community's capability to solve its own problems to appropriate and localized resources management systems.

- 2.) An Equitable growth in which share of economic benefits are spread within all sectors of society (such as women, the poor, minorities, immigrants, the handicapped).
- 3.) Structural transformation as according to national/regional consensus, constitutional and legal reforms which will actively promote the rights of civil societies, Media freedom and ensure appropriate form of 'Good-governance'. Improved standards of living and Human Well being are seen to be the basic signs of progress rather than economic growths.
- 4.) Environmental Rationality based on Participatory initiatives of local communities and the networking between various communities in terms of utilization and protection of the common resources. Emphasis for the rural sector given to maintenance of Bio-diversity and alternative agriculture and other environmentally sustainable diversification initiatives rather than market based mono-crop culture.



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Table 1, The Post-modernist/Localised paradigm of SD:

Objective.	Method	Indicators
Non-growth based Development (Stable State Economics)	<ul style="list-style-type: none"> •Emphasis on communities/local markets rather than the global market. •The ability of all Stakeholders to decide and chose their proffered developmental path. •Qualitative improvement of living standards. 	Employment rate, Interest rate, Inflation rate, Purchasing Power Parity (PPP), Human Happiness Index (Recognition of interrelation with other aspects of development in genera)
Equitability (Social Capital)	<ul style="list-style-type: none"> •Improved Life Expectancy, Morality and Literacy rates. •Improved quality of life according to the social values of each society •Increased freedom, effective governance, Democratization 	<ul style="list-style-type: none"> •International indicators such as Absolute poverty line, Human Development Index (HDI), Human Freedom Index Human Rights Index, Millennium Development Goals (MDG), as well as locally devised indicators according to needs, place and stakeholders
Structural Transformation	<ul style="list-style-type: none"> •Role of the State as provider of basic social] security and services (education, health care etc.) •Democratization, Increased role of civil societies to promote self suffi and decrease dependency, National land reforms /Global redistribution of income. 	Civil society density, Media freedom Capability of communities Indicators according to the values and objectives of each so
Ecological sustainability	<ul style="list-style-type: none"> •Reform of State based resource management system •Effective decentralization enabling communities to manage traditional ecological resources (such as land, forests) rather than allowing them to be managed and exploited by the state or outsiders. 	International as well as locally created indicators, Sustainable Yield level,

(Writer's own creation)

2.2.3) The advocacy for alternative developmental paths in Thailand

Following the end of the military period as attempts to suppress rural groups with political demands were eased and there emerged among the nation's agricultural based populace two different offshoot of rural protesters. As suggested by Phongpaichit/Baker (2001) the emergent of rural protesters could be divided two major groups being:

A.) The 'Advanced, market oriented farmers'. This group had earlier gone through modernization of agricultural practices as imposed by previous governments of the pass and were familiar with the paradigm of export-led agriculture. Their main concern was the decline in global agricultural trade resulting in falling crop prices and the rising rural debt, thus the apparent failure of Market-based agriculture in general.

B.) The marginalized farmers with little resources and often without land rights. These are the groups directly affected by various modernization paradigms and the exploitation of the urban based economy which systematically exploited their traditional resources such as land, forests and water through various means. The main concern of this group of rural protesters is the claim for the usage of their local resources and the protection of their traditional way of life.

These Rural Based Movements (RBM) represented dissatisfaction against the dominating (SCDS) paradigm arising from the nation's largest social segment with Agrarian background. However the demand for an alternative developmental path was also advocated by other sections within society including academics, developmental workers, parts of the bureaucracy as well as those categorized as the nation's Civic groups also known as the 'Political-Ecology movements' consisting of more than 100 NGOs generally opposed to the neo-liberal paradigm of development instigated through the dominant political-bureaucratic perception. Among the most popular and influential notion advocated as Thailand's localized notion of development is popularly known as the notion of Wattanatham Chumchon(WC) literally translated as Community Culture. Tenets of WC '*aims to contribute towards an ideal of alternative rural development. It calls for critical evaluation of the market-oriented policy of the central government which is supposed to have violated the self-reliance of the independent community of the past*' (Kitahara A, 1996).

Table 2, Critical difference between the localized notions of development against the contemporary notion:

<p>Politically: The planning and implementation of governmental policies has always been carried out through centralized control of power, in terms of both policy planning as well as the implementation. Instead, respective communities should have a form of political autonomy to decide and implement policies that concerns their livelihood, in which emphasis given to the build up of broad regional networks to promote social networking between different communities.</p>
<p>Economically: The government's agricultural policies of the past has systematically devastated the traditional subsistence nature of Thai farmers through its incentives on growing limited types of marketable cash-crops, while advocating techniques of increased expenditure exhibited through the dependence on machinery and chemicals resulting in increased costs for the farmers and unstable income due to the homogenization of and market fluctuations of cash crops. The debt and lack of alternative job opportunities in the local area the younger generation to seek work in urban areas, an unsustainable pattern of (rural) migration to seek employment which has become a normal occurrence under the market based notion of development.</p>
<p>Socially: The government's developmental paradigm are said to break down much of the traditional mutual help and support system of the community which is then replaced by self oriented attitudes as well as egoistic rivalry as well as erosion of traditional values among fellow village members.</p>
<p>Culturally: The traditional/perennial philosophical view of life which was less dependent on flows and materialistic values has gradually been replaced with dissatisfaction and instability fuelled by wants and the urge to earn more money, while religious and cultural beliefs are Becoming less understood and regarded as an obscure doctrine by the younger generations.</p>

(Writer's own creation)

The paradigm of WC is based principally on Thailand's traditional system of 'subsistent economy' and clearly corresponds to H.M. the King's notion of 'sufficiency economy'. As in much of the developing world, the centralization of political and economic power within the restraint of urban cities has been seen as legacy of the nation state system (thus of the colonial period) based largely on the 'Urban Biased' mindset of national elites and political leaders whom attributed 'Westernization' as the best means to achieve 'Modernization'. According to Weaver

(1996) the definition of Urban Bias has been given by as the inequitable distribution of benefits, goods and services in favor of city dwellers. It was during much of the colonial period of the 19th and 20th century that Eurocentric modernization became not only an obsession but a necessity for non-western elites in order to survive in the hostile global circumstances, thus the urban biased mindset became an increasingly common feature of national elites and the urban populace in general. In the case of Thailand throughout the second half of the 20th century, despite the fact that rural based policies and emphasis on Human Development have been advocated by developmental workers and agencies such as the NESDB (particularly from the 8th NESDP onwards), alternative developmental schemes based on localized ideals and participatory action implemented on a national basis did not form a major emphasis for political leaders, as examined earlier in the chapter. The various alternative developmental initiatives initiated by H.M. the King based on the needs of the local vicinities and implemented on a participatory basis with local communities, is also regarded by a large number of Thais (including much of those with lack of access to developmental resources) as a normative developmental model, based on the nation's own sociological and cultural context through the adaptation of suitable knowledge and appropriate technology. Additionally, it has long become a tradition in Thailand (as in much of the developing world) for local institutions or and various forms of civic movements/NGOs to coordinate essential activities not fulfilled by the state, particularly in the role of providing social services such as education, poverty alleviation, crime protection or health services according to the needs and background of each locality. Throughout the past decades, the significance and intrinsic value of these various organizations have been increasingly recognized, thus enabling them to become more influential in dealing with the state, as well as to advocate their perception to the state's various bureaucratic or policy making institutions.

2.2.4) The Conventional (globalised) form of SD

As SD also known as Broad Based Sustainable Development (BBSD) initially originated from the attempts of industrialized nations to utilize appropriate technology and social systems to reduce and recuperate the deterioration of the global ecosystems. The importance of Environmental protection policies are apprehended in order to nurture the productive capability of resources leading to sustained long term growth, equity and political stability. This paradigm of SD has been viewed by Anti-

globalisation movements as the environmentally friendly approach of neo-liberalism the additional emphasis on Equity and Ecological conservation.

The four basic principles of BBSD are:

- The maintenance of a healthy and sustained economic growth, through rising standards of living, sufficient creation of jobs, stable prices/interest rates etc.
- An Equitable growth in which share of economic benefits are spread within all sectors of society (such as women, the poor, minorities, immigrants, the handicapped).
- Continuous structural transformation through the promotion of good governance, democratization process, participatory development, respect for human rights as well as the healthy promotion of civil society and non-governmental organizations (as intermediately facilitators between the state and the people).
- Environmental sustainability including mechanisms which will ensure the adequate protection and maintenance of ecological resources such as air, water, soil, forests etc.

(Weaver, Rock, Kusterer 1997, *Achieving Broad-based sustainable development*, Kumarian Press, Connecticut)

With these four stated aims, there was a need to establish other methods of measuring development apart from the widely established Gross National Product (GNP) and Gross Domestic Product (GDP) which focused solely on economic growth but lacked social or ecological indicators. In this regard, there has been constant efforts to introduce other indexes to measure the social or environmental aspects of development, among the most popular and useful being the Human Development Index (HDI) created by the Pakistani economists Mahbub Ul Haq which came to be in use since 1993 as well as other indexes such as the Human Freedom Index etc.

In this light of non-economic indicators and mechanisms of creating equitable balance between various dimensions of development are meant to be utilized rather than the primary focus on the maximization of profit and quantitative indicators of economic growth. The objectives of the conventional form of SD is said to be the

achievement of human well being under equitable social, economical and ecological conditions as suited by the cultural background of each societies. Much of developmental initiatives adopted and promoted by international monetary institutions such as the International Monetary Fund or the World Bank, are said to be based on the conventional model of SD innovatively in the form of 'Poverty Reduction Strategies' also adopted by a host of national governments in the developing world. For this reason, it would be possible to refer to this paradigm as being based on the ideals of urban based elites in compliance to the needs of the rural poor throughout the developing world. Although the extent of democratization and structural transformation is achieved greatly differs depending on the differentiated political-economic circumstances of various states. As Daly has interestingly pointed out that the reason why (the contemporary notion of) sustainable development has been adopted by national governments in general despite the lack of clear comprehension of its practical connotation, is partly due to the fact that it sounds better than 'unsustainable development'.



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Table 3, The conventional/globalised/neo-liberal based paradigm of SD:

Objective.	Method	Indicators
Sustained economic growth	<ul style="list-style-type: none"> •Sufficient creation of jobs, Stable prices/Interest rates Rising standards of living. •Accumulation of wealth to invest in technological advances. 	Gross domestic Product (GDP) Gross National product (GNP), Employment rate, Interest rate, Inflation rate, Purchasing Power Parity (PPP),
Equitability (Social Capital)	<ul style="list-style-type: none"> •Emphasis on Poverty Alleviation, Human Development, Improved Life Expectancy, Morality and Literacy rates. •Community empowerment increased freedom, effective governance as part of Democratization 	Absolute poverty line, Human Development Index (HDI), Human Freedom Index (HFI), Millennium Development Goal (MDG), Social Impact Assessment
Structural Transformation (Democratization)	<ul style="list-style-type: none"> •Increase in Agricultural productivity, Shift from Agriculture to Industrial/Service industries •Participatory development •Increased role of civil societies 	Sector shares of GDP (Agricultural, Industrial, service), Export shares of GDP
Ecological sustainability	<ul style="list-style-type: none"> •National based resource protection and revival through Legislative frameworks, Pollution control, Establishment of various Ecological protection zones. •Incentives for producers to reduce or eliminate pollution. •Technological solutions to reduce utilization or natural resources. 	Global Environmental Monitoring System (GEMS), Sustainable Yield level, Environmental Impact Assessment (EIA)

(Writer's own creation)

It is essential to recognize the characteristics of the contemporary path, as the theoretical connotation of OTOP as well as that of the Fair trade organizations are based largely upon this contemporary market based approach of instigating 'sustainable economic growth' as reflected in the characteristics and objectives of the OTOP policy.

2.4) The adoption of the SD based initiatives by the Chuan Government, an inevitable alternative

By the time Chuan Leekpai became the Prime Minister in 1997, structural adjustments were also being imposed on the government by the International Monetary Fund, the World Bank as well as Japan's Overseas Economic Cooperation Fund. Tangsupvattana(2005) attribute the objectives of the 1997 constitution as

- The strengthening of political institutions, particularly the political parties in which the ultimate objective was replacing the interest based politics and it's 'Crony Capitalism' with the 'Two-party system' with strong political parties, as in the case of democratically developed countries.
- To encourage people's participation in political process and strengthen the process of 'Democratization'.

As a response to the unfolding implications of the economic crisis the major programs initiated by the Chaun Government included:

- 1.) Financial restructuring aimed at the resolution of Non Performing Loans (NPLs), the reorganization of local Banks on capital adequacy and loan loss provisioning. Corporations were restructured on the basis of 'Good Corporate Restructuring' (appointment of independent directors, disclosure of information, independent auditing committee etc).
- 2.) Industrial restructuring concentrating on export competitiveness and improvement of industrial structures.
- 3.) Expanding social safety networks through public expenditure, education as well as the introduction of the Social Investment Fund Office (SIFO) to reduce the impact of the crisis on society.
- 4.) The promotion of Small and Medium Sized Enterprises (SMEs) through the

setting up of the National Committee of SME's Promotion

These policies seemingly reflect that the government's major concern was for the recovery of pre-crisis growth rate as observed by Suehiro (2002), Chiangkool (2004). Nevertheless the tenancy of the 8th NESDP is often credited as the period in which there was a slight shift of national developmental policies away from the growth-pole strategy of the pre-crisis years. For the first time ecological concerns such as issue over the Convention on Biological Diversity (CBD) debates (of 1997) provoked widespread common interest from the media. The CBD debate serves as a demonstration of how social and ecological issues could potentially undermine the government's ability to implement certain policies, which it previously implemented with minimal public scrutiny. The (CBD) debate also forced the government to become more responsive to possible ecological/social concerns of the people, as the government became more active in the management and conservation of the country's natural resources through measures such as the National Policy and Plan to Promote and Conserve Environment 1997-2016. As well as the National Forest Policy, the National Land Policy, the National Policy on Municipal Waste, all of which are being furnished continuously into the 9th and 10th NESDP, respectively. It was thus during this period following the 1997 crisis that NGOs and civic bodies were increasingly formed as parts of policy making committees or independent agencies (which were meant to act as 'Check and balance mechanisms' between the state and the people), in which terminologies of SD were increasingly employed in national policy formulations (Sangchai, 2005).

Arguably for the Democrat government, the adaptation of above mentioned objectives as a national agenda was conceded not only to maintaining legitimacy/modernized outlook following the notorious '*Crony-Capitalism*' period of the 1990s but also as a measure of ensuring a more holistic and durable economic growth. As according to Suehiro (2002):

"More broadly speaking institutional reforms were designed to make the Asian economy adjust to the three different permanent movements of globalization, economic liberalization and political democratization".

Other imperative factors which may have influenced the outlook of Chaun government may include factors such as:

- 1.) Attempts to reduce ecological damage caused by industrialization through the adaptation of international environmental policy standards.
- 2.) Attempts to hinder the damage of the economic crisis to the grassroots populace, which would further lead to political unrest.
- 3.) As a fiscal attempt to stimulate the grassroots economy, to stimulate growth in the long term.
- 4.) As an attempt maintain legitimacy and modernizes its outlook by being more responsive to the public.
- 5.) As incentives to gain popular support through the appeal of sufficiency economy while adopting terminologies of the localized form of SD, due to royal popularity or 'Raja-Niyhom' (Chiangkool, 2004 page 103), given HM's public advocacy for such policies. Nevertheless the practical objective of the government was generally the return to 'stabilized economic growth' with much less consideration given the strengthening of the civic sector or the which would enable the continuous creation of 'check and balance mechanisms' against the insatiable policies of interest based politicians.

CHAPTER III

THE CALL FOR ALTERNATIVE DEVELOPMENT AND THE EMERGENCE OF THAKSINOMICS

3.1) Back ground to nature of industrialization and unequal development in Thailand

Throughout the latter half of the 20th century, the nature of Thailand's political/economic model was clearly seen to be the state-centered developmental system (SCDS) mode of governance in which national development was principally based on the creation of infrastructural projects such as better communication networks, a modernized bureaucratic administration as well as improvement in methods of production for the agricultural and industrial sectors. Income distribution to the grassroots populace (apart from majority of the populace in the agrarian sectors) were largely generated through employment creation of industrialized urban suburbs and or work in regional urban centers particularly following the advent of the 'Developmental period' in 1961, which resulted in a widening income distribution gap between the urban and rural areas (and between the rich and the poor within society). Much of the rural population marginalized from the benefits of modern development, continued their livelihood based upon agrarian system sustained through their partially subsistence relationship with their local ecological system. Seasonal migration (due to lack of local employment in non-farming seasons) among the most physically able workers within the communities remained a prevalent necessity throughout much of rural Thailand. Large-scale civic action and opinions of different approaches to development were generally kept under strict surveillance by the military government. In the early 1990s along with the end of the cold war, Thailand went through a significant phase of Democratization with the decline of the Military's role in Thai politics following the 1992 coup led by army general Suchinda Kraprayoon. Prior to this period, rural political movements resisting the government's paradigm of development were often labeled as unpatriotic or communists, as the military governments kept close watch on such organizations and according to Phonpaichit/Baker (2001): *'Political leaders were sensitive to rural demands, but they adopted a strategy of benign paternalism: don't make trouble; we*

will look after you' (Phongpaichit P, Baker C (2001) 'Thailand's Thaksin: New Populism or Old Cronyism?' John Hopkins University, Washington DC).

3.1.1) Characteristics of development in Thailand prior to the 1997 Economic Crisis

The state centered developmental system (SCDS) dominated by the Political- bureaucratic coalition advocated by successive Thai governments throughout the 1980-1997 deemed continuous industrialization and market based agriculture to be the best means for correcting regional disparities and distribution of wealth. Creating new industrial estates was seen to be a particularly desirable approach due to the automated economic growth and infrastructural benefits created within the vicinity. The transfer of labour from the traditional (agrarian) sector into the Modern (manufacturing) sector was also seen to be particularly desirable approach to 'National Development' by the political elites which clearly reflected the Eurocentric visions of policy makers in general. Although all provinces were partially industrialized in accordance to its socio-economic status, the area designated as the Eastern Sea Board area underwent this paradigm of industrialization in a particularly intense manner, causing it to become known as the nation's core industrial zone.

According to Mazumdar D. and Hwa Son, H (2001), with regards to the characteristic of economic growth in Thailand: *'First, although the growth process was fuelled by rapid growth of the 'capitalist' or modern sector, unlike the Lewis model the transfer of labor to the modern sector was limited. In the 1980-90 period the percentage of the labor force in agriculture fell from 71 to 64 per cent, while in the same period the same percentage was nearly halved in Korea from a much lower level—from 37 to 18 per cent. The rate of urbanization in Thailand was correspondingly slow.*

(ii) Secondly, the rapid growth in Thailand was accompanied by rising inequality. A World Bank study reports that the Gini index based on expenditure per capita increased by ten percentage points (from 36.4 to 46.2) over the 1975-92 period. No other country in the Asia-Pacific region registered an increase in the inequality index of this magnitude. At the end of the period the Gini index for Thailand was highest in

the region (Ahuja et al, p.27). The index of inequality seems to have stabilized in the nineties, but the Asian crisis pushed it up a little more in 1997-99 (Son, Chapter V’).

The table below demonstrates the differences in income distribution between the 5 different income segments in Society, with segment 1 being 20% of population with the lowest income and segment 5 being the 20% of the populace with the highest earning.

Table 4, The national Income distribution between the different income segments in Thailand:

Year	1990	1992	1994	1996	1998	2000	2002
Income segment1 (%)	4.31%	3.98%	4.04	4.12	4.24	3.88	4.17
Income segment2 (%)	7.54	7.06	7.33	7.47	7.67	7.18	7.63
Income segment3 (%)	11.69	11.08	11.68	11.76	11.93	11.42	11.96
Income segment4 (%)	19.46	18.78	19.72	19.93	19.84	19.89	20.05
Income segment5 (%)	57	59.09	57.23	56.73	56.31	57.63	56.19
Total (%)	100	100	100	100	100	100	100

(Wongvhisanon, (P 2004), Anarkot mueng Thai-Krai wa mai na huang, Knowledge Plus, Bangkok, page178)

In the words of Kidokoro (2004): *“This growth pole strategy, however, has generally not been successful, apart from development in the outskirts of major cities (e.g. eastern coastal industrial development in the Bangkok metropolitan region), which has had the opposite effect in terms of correcting regional disparity. Instead, what has been strengthened is the connection between regional core cities and the major cities with, unfortunately, little of the trickle down-down effect seen in the areas around those regional core cities. Consequently, these days this strategy is coming under criticism as causing an excessive dependence on the major regional cities (Capital cities in the case of countries) and inhibiting regional initiative and ingenuity”*

Following the 1997 economic crisis, unemployment in Thailand rose from 0.7 million in February 1997 up to 1.9 million by December 1998 (Economic Crisis causes massive unemployment in Asia, Viewed 5th December 2005 <<http://www.atimes.com/asia-crisis/AE25Db01.html>>). Much of the unemployment was created through a sharp decline in manufacturing and construction sector. The majority of these workers returned to their home provinces to seek livelihood in the agricultural sector or employment in the Informal-sector. However, the market based mono-crop culture promoted by successive governments throughout much of the past century coupled with the cyclical nature of agriculture (resulting in unstable income and lack of income diversification initiatives within provincial localities) has long been recognized by the nation's civic groups and rural based movements as the root cause for the seasonal migration of rural workforces. The lack of developmental benefits propagated in the rural areas however is by no means limited to Thailand's developmental paradigm, as the pattern has become the dominant characteristics of most developing states with their Center-Periphery structure, where political and economic power are overwhelmingly concentrated within the control of urban populace. Yet, the need to bridge the ever widening developmental gap between urban centers and rural peripheries was never envisaged as a necessity by Thailand's successive military-led governments. Alternative developmental movements in Thailand could essentially be seen as the attempts of various local institutions to advocate their localized visions of development, with their major objective being to reverse the trend of the continuous widening income distribution gap and to revive the ability of the community to effectively utilize and manage its own natural resources as well as an increased emphasis on qualitative aspects of development through international charters such as Agenda21 or The Human Developmental Index (HDI) as well as the need to adopt and improvise other local Qualitative indicators.

3.1.2) 1997-2001 a period of transformation in Thailand

Tangsupvattana(2005) attribute the objectives of the 1997 constitution as

- The strengthening of political institutions, particularly the political parties in which the ultimate objective was replacing the interest based politics and its 'Crony Capitalism' with the 'Two-party system' with Strong political parties, as in the case of democratically developed countries.

- To encourage people's participation in political process and strengthen the process of 'Democratisation'.

On the Structural basis, the government as according to the mandate of the 1997 was meant to undergo gradual re-structuring and bureaucratic re-orientation in the context of the reforms. In which the government's new role in theory, would eventually be that of coordinator and facilitator of development (and policies) rather than the initiator which it has always been. The empowering of the TAO was therefore meant to provide the legal incorporation between the government and Civil societies/community based groups. It must be noted that this intention of gradual empowerment process, was the first major effort in Thailand's political history to challenges the old cronyism of the business-politicians. Channels/institutions created by the new constitution such as the Election Commission of Thailand, the National Economic and Social advisory board or the National Counter Corruption Commission in particular was meant to suppress the policy malpractice that thrived in the era of 'democratic cronyism' of 1992-1997. As *'Accordingly, civil society is gradually enabling itself to balance the political power of the state and the market forces of business'* (Tangsupvattana, A Jumbala, P 2005). In order to establish the theoretical background to OTOP's stated objective and its hypothetical contribution towards SD, there is a need to apprehend Thailand's political economic shift in the period following the economic crisis of 1997. It was during this period that there emerged a general perception of the need to adopt a more localized path of development with increased emphasis on 'self-sufficiency' of rural communities rather than overt emphasis on economic growth alone.

Following the financial crisis of 1997, the implications of uneven development began to be felt tangibly by 1998 as large segments of rural workers employed in manufacturing or construction sectors lost their jobs, coupled with the drop in the price of rice exports and the rising cost of material imports (as the weak currency increases import costs) which only worsened the circumstances (Phongpaichit P, Baker C, 2001 'Thailand's Thaksin: New Populism or Old Cronyism?' John Hopkins University, Washington DC, page 2). As a result 1998 and 1999, witnessed an increasingly active protests in Bangkok by farmers demanding for relief and price support policies. It became increasingly difficult for

the state to ignore these protests or resort to military tactics for dissolving them, as according to Phongpaichit/Baker (2001):

‘Cattle farmers started marching in Bangkok with their herds of cows. Cassava farmers threatened to build a bonfire in the city centre. During a big UNCTAD conference in late 1999, the police had to block the radial roads to prevent sugar trucks invading the city. There were scattered movements by unemployed workers to occupy land – both in forests and unused land held by speculators.’

The process of democratization and political-participation would in the eyes of the ‘Activists’/People’s organizations, enable the gradual demise of the inequalities and injustices within economic developmental system that had prevailed in the nation’s political-economy through out its modernization period (Pongpaichit 1999). Equally important is realization of the Chuan government for a synthesis of the nation’s demands for alternative development in conjunction with the government’s plan to instigate a more holistic path to growth, the key factors seen to be desirable by both developmental paradigms being:

- 1.) The need for decentralization to be achieved through participatory development
- 2.) The need to utilize the local communities as a micro unit of development
- 3.) The need to reduce the income distribution gap between the rural and urban populace.

These recognitions led to implementation of participatory based policies of the Chuan Government and later the implementation of populist policies through the decentralization of the Tambon Administrative Organisation (TAO) by the first Thaksin government in 2001.

3.2) Thaksinomics

According to the Somkid Jatusripitak, the Finance Minister in 2001, Thaksinomics (as PM Thaksin’s scheme became known) has several distinction from the East Asian Economic Model (EAEM) which relied primarily upon FDIs and export oriented industries as the major catalyst of economic growth. Thaksinomics on the other hand, is said to give equal emphasis to the support of small and medium business enterprises in order to expand the internal market as well as correct regional disparities in which the grassroots populace are meant to utilize their own resources

as a means to earn adequate income, thus strengthening economic growth from within (Thailand Looks to a global strategy, The Nation, 24 August 2001, Thaksin sees a new Asian Silk Road; The Nation 10 May 2001). Lian (2003) has identified Thaksinomics as a national initiative to adjust Thailand to the globalisation of international trade environments, in which the continuation of the EAEM model (with reliance on FDIs and export based industries) would surely lose out to the low and fast expanding export pricing of Chinese Industries among other reasons. It is thus for this reason that rural development through participatory based policies (such as the One Million Baht village Fund or OTOP) or the introduction of basic social security benefits (such as the 30 Baht national health scheme) has now become an important element of creating economic resilience from the risks of the global deflation thereat and the intensification of the ‘Global deflation-biased mass-manufactured export battles’ (Lian D, 2003, Thailand: Dual track to recovery, Asia Times Online, viewed 15 August 2005, http://www.atimes.com/atime/southeast_Asia/EF03Ae.html).

Another major difference between the Thaksin’s Political style in comparison to governments of the past also lay in Thaksin’s ability to seemingly respond to the demands of the people as:

“The Democrats asked people to sit quietly and trust the bureaucrats and politicians to look after their interests. Demands and protests, the Democrats huffed, will get you nowhere. This was the old bureaucratic paternalism. Thaksin talked to the disgruntled, displayed his three-point programme on every street-corner, and asked people to vote on it. This was an invitation to a new kind of electoral participation. And it struck a chord”.

Rather than reacting to the social demands of the people, the TRT proficiently embraced these demands and merged them into an integral part of the party’s vision of ‘micro/incentive’ based politics. These policies are aimed at advancing the potential of the grassroots economy, by using the ‘local community as an economic entity’ receiving directions from above (in Top-Down basis) rather than as an ‘autonomous entity’ able to develop according to its own perception. The 5 policies aimed utilizing the demands of the rural populace through the mechanism of the TAO being 1.) the Debt relief for farmers program, 2.) the One million Baht village fund

program,3.) the 30 Baht health scheme program 4.) the re-organization of Small Industries Finance Corporation (SIFO) into a Small and Medium Enterprise (SME) Development Bank and lastly 5.) the One Tambon One Product scheme.

3.2.1) Decentralization and participatory development under Thaksinomics

Participatory development has been identified as the fundamental basis for decentralization if ‘Sustainable Economic Growth’ is to be achieved. In the case of Thailand, the issue lies in the need to transfer policy making authority and necessary financial means from the central government to the regional governments (at various level), as well as replacing the structure in which heads of regional governors are appointed by the central government rather than by direct public elections. According to the UNDP report (2003), the choice of using the Tambon as the platform for decentralization is a result from the *‘fierce opposition from the Ministry of Interior to effective democratization at the provincial level’*, for this reason there has been concerns that the Ministry of Interior may have been trying to retain the bureaucratic supervision over the TAOs as Provincial and district officials have been ordered to instruct TAOs on governmental policies which they must implement. However, essential laws that will enable the Tambons to manage their ecological resources according to their own ideals have yet to be resolved and bills such as the Community Forest Bill has remained unresolved. Additionally, the TAO structure despite being utilized as a platform to implement much of the TRT’s grassroots based policies, are increasingly seen to be incorporated into the Bureaucratic hierarchy in which it is to receive orders based on a Top-down basis as evidenced in the introduction of the ‘CEO Governors’ Pilot project starting with 5 provinces in 2001. The 2004 fiscal year marked the first time that the central government had allocated partial budgets to provincial leaders (Srivalo, 2005). By 2005 the CEO governor model was implemented nation wide:

“This system has now been introduced to Thailand's 76 provincial governors. In the past, these governors were told to govern, not to manage their provinces. But by becoming CEO Governors, they have been told to change their role into that of an executive - they have to be leaders in promoting the economic and social development of the local communities in their designated provinces.”

The Ceo-Governors are now meant to cooperate closely with the Board Of Investment (BOI), with the objective of supporting domestic investors to increase their investment in the domestic market as well as for the further expansion of local retail sector. According to Somphong Wanapha, Secretary General of the BOI:

“Our [BOI] role will be to try and make the governors understand our priorities, and to give them support, help them coordinate with government agencies and provide them with industrial linkages. More important, they will have to learn to take risks, just like a businessman

To smooth this process, based on economic and geographical conditions, 75 provinces (Bangkok is not included) have been divided into 19 clusters. The governors will then formulate integrated strategic plans for the development of their particular cluster. Although the goals and the focus of the strategic plans of each provincial cluster are different - the overall plan covers general issues such as trade, investment, tourism, agriculture, industry and infrastructure development” (Allison T, Thailand emphasizes increased investment, Asia-Times Online, viewed February, 3 2004, <http://www.atimes.com/atimes/Southeast_Asia/FB03Ae02.html>).

3.2.2) Comparison between Thaksinomics with the normative (localized) paradigm and the Interest-based paradigm

Suehiro has given an interesting analysis of Thailand’s 3 contesting political paradigms the first being the ‘Interest Based’ group representing the SCDS model initiated from the 1950s onwards, through to the period of rapid industrializing dominated by the so called Crony-Capitalism, hence its categorization as being Interest based rather than Strategic Based (Chang Noi, 2001 Where is the Soul of TRT?, Nation Multimedia Group, viewed 10 February 2004 <<http://www.nationmultimedia.com/search/page.arcview.php?clid=11&id=52008&usrress>>). The second Paradigm being labeled the ‘Bottom Up’ approach which is an obvious representation of the Localized Paradigm of SD, such as the WC ideal or H.M. the King’s notion of Sufficiency Economy. Lastly, the Third model of development which has emerged in Thailand as a new Political Strategy against the ineffectiveness of the ‘Interest based’ politics is the Top-down style of Thaksinomics as suggested by Suehiro. Thaksinomics is characterized by the ability to appease the rising demands of the nation’s rural population through its populist policies.

Item	Interest-based	Bottom-Up style	Top-down Style
Keywords	-Economic Growth -Economic expansion -Lokhaphiwat (Globalisation)	-Prachasangkhom (Civil Society) -Thammarat (Good Governance) -Community Leaders	-Wisaithat (vision) -Competitiveness -Efficiency
Political Actor	-Politicians based business activity -Political party with no specific agenda	-Communities, NGOs, Intellectuals	-Political Party (TRT) -The Leader (Prime Minister)
Legitimacy Of the Power	-The number of seats won in the general election -Support by local people	-1997 New Constitution -People's Power	-Absolute majority of the government party -People's popularity
Political Style	-Interest-induced politics -Dual Structure in politics between in cities and in rural areas	-Promotion of democratization -Promotion of decentralization -Decentralized people's participatory politics	-Centralized power -Prime Minister = CEO of the company -mecaberic populism
Policy Making/ Policy Implementation	-Dominance of bureaucrats -Economic ministerial meeting -Four core economic agencies (NESDB, Budget bureau, Fiscal Policy Office, Bank of Thailand)	-House of Representatives -Cooperation with technocracy -Public hearing -Autonomy of local agencies	-Leadership of Prime Minister -TRT policy making committees -Ad hoc strategic committee on the basis of a specific target
Orientation policies/ Policy Target	- Growth oriented - Welcome policy for foreign capital	-Stable Society-oriented -"Strong" society theory (Sangkhom Khem-khang) -Sufficiency Economy -Development of community economy focusing on agriculture and environment	-Strong state-oriented -Stable society based on political unity -Knowledge-based society Promotion of local industries and SMEs
Problems/ Obstacles	-Political corruption of politicians and bureaucrats -Expanding economic gap between urban areas and rural areas	-Big gap between ideal and the current structure of society -Lack of capacity in policy making and implementation among community and local governments	-No cooperation between party and bureaucracy -Exceeded power concentration into Prime Minister -No transparency in Policy making

Critics of Thaksinomics have long argued that changes projected by the 1997 constitution and the structural transformation demanded by the people to enable a shift towards increased participatory based 'bottom-up' developmental initiative, has instead been gradually altered by the TRT government into its unique system of 'Centralized People Participatory Politics' (Suehiro2004). In this regard, the vocal adherence to proactive social development and alternative development by advocated by the Thaksin government should also be viewed as part of the legacy inherited as a result of the 1997 economic crisis and the attempt of the Chaun government to modernize its developmental outlook. The TRT government often claims OTOP to be an instigator of a bottom-up approach to developmental in which the initiative has enabled communities to be empower red according to their own vision of development, as reflected in an interview of Dr.Kitti Limskul, the vice minister of finance, by Boivin N (2004):

'OTOP in theory, with its focus on active people participation jarred with this bureaucracy because it worked from the bottom level up. To solve this red tape problem, we arrived at a point in the middle, working from both the bottom and the top. The national committee set up regional and principal committees correspondingly, with the whole machine falling under the department of Community Development, Ministry of Interior'.

In this respect the OTOP policy is among the best example which demonstrates how policies are to receive their strategic objective from a top-down basis and implemented through a participatory bottom up manner with partial/limited autonomy in deciding their own desired objective (at the Tambon level under the TAO). In this sense, the institutional changes projected by the 1997 Constitution and the structural transformation demanded by the people to enable a 'bottom-up' initiative, has been gradually altered by the TRT into the so called unique system of 'Centralized People Participatory Politics' (Suehiro).

CHAPTER IV

OTOP POLICY AND ITS BASIC CONCEPTION

4.1) OTOP policy and its basic conception

The underlying principle of the One Tambon One Product policy (OTOP) is based on the utilization of local resources/knowledge through trade as a developmental tool which is meant to propagate the notion of community empowerment and self-sufficiency for communities at the Tambon level. Further explanation of the OTOP policy is given by a government website: *'The One Tambon One Product (OTOP) policy was initiated right along with the supportive policy of the SMEs, both of which are regarded as laying the economic foundation of the country. In essence, the policies of OTOP and SMEs have one goal in common, which is the attempt to strengthen the small business units all over the country for the benefit of country's sustainable economy. The only difference is the OTOP policy stresses the community is able to be self-reliance, job & income generation by using its folk wisdom and local resources, and future walks of life from generation to generation. Once people in the community are united and the local grounds are potent, the whole mechanisms both public and private sectors will properly be linked with fast access to information and prompt correction to the problems'* (The office of small and medium enterprise promotion, *OTOP policy from the grassroots to economic roots*, 2003, viewed January 10th 2006, <http://www.sme.go.th/websme/smeeng/otp/otop_policy.html>).

According to the NESDP document, the OTOP policy consists of 3 underlying principles:

- **Local Yet Global.** This implies the utilization of local resources in a creative manner which would act as an income generating mechanism. In doing so the community would be able to maintain their traditional values while promoting their products to the outside world or even export them abroad.
- **Self-Reliance Creativity.** By utilizing local resources the community would be able to promote increased level of self-sufficiency, and gradual improvements in the standard of living.

- **Human Resource Development.** The policy would also act as a mechanism which fosters local creativity by the continuous enhancement of their local products, thus help the villagers cope with challenges and benefits of globalisation.

(National Economic and Social Development Board, viewed June 2005, <<http://ie.nesdb.co.th/gd/html/forms/projects/Tumbonproject/TumbonExplain/tumbonprojectexplain.htm>>)

While being one of the TRT's most recognized policy, inspiration for OTOP is said to have derived from the highly successful One Village One Product (OVOP) movement, initiated by Yamada Harumi of Oyama village in Kyoshu island, Japan. OVOP was presented as a viable national policy by Morihiko Hiramatsu, governor of Oita Prefecture in 1979 and has since become an overtly successful policy.

The Prime Objectives of the OTOP Policy are said to be:

- 1.) The creation of job opportunities within the local community.
- 2.) The empowerment of local communities to become self reliant.
- 3.) The promotion of local knowledge in development process.
- 4.) Promotion of Human Resource Development in the local community.
- 5.) To promote a developmental paradigm most suited to the local culture/local livelihood.

4.2) Policy implementation

A brief explanation of OTOP's objective of combining trade with development is given: *"Great potential (is) waiting to be tapped in each diversified local community of Thailand. Such potential lies in the ability of people in the communities to make products by using existing raw materials and resources available in their respective areas. Combined with the local folk wisdom passed on by their ancestors, from generation to generation, they are able to come up with products which are uniquely distinctive and valuable. So, what the OTOP policy tries to do is to bring out such great potential from the local communities at the tambon, or sub-district level. The Government would lend a hand in reinforcing product quality to reach international standards, and support the villagers in promoting their products, thus propelling Thai products to the international market".*(Thaksin Shinawatra, Prime Minister of

Thailand's speech at the Chiang Mai University Auditorium, Chiang Mai, August 2003).

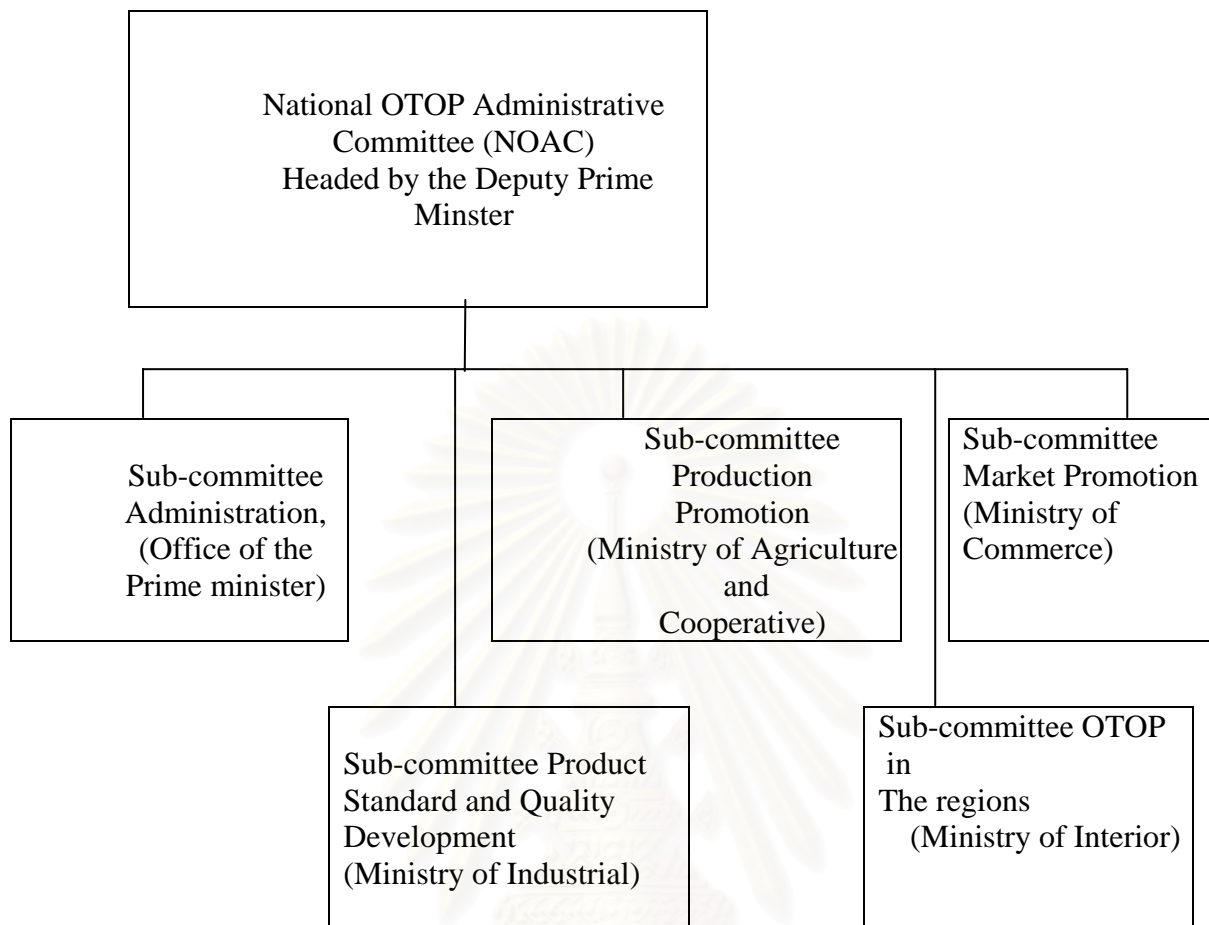
The mechanism for the implementation of OTOP was initially directed through the Prime minister's office due to the fact that it was categorized as an 'Urgently Implemented Policy'. In which the OTOP National Council (ONC) was swiftly established in 2001 to initially collaborate between the 5 ministries, 7 governmental agencies and 10 senior advisors. The ONC was later transformed into the National OTOP Administrative Committee (NOAC)

The operation and authority of the NOAC includes:

- 1.) Mapping out the master plan and budget allocation for different departments involved.
- 2.) Creating guidelines and standards used for selection and standardization of OTOP products, or simply to grade the products and draw up the grading criteria based on marketability of the product.
- 3.) Act as observer and policy analysis, in order to present report to related ministerial.
- 4.) The responsibility of propagating information relating to the policy.
- 5.) To alter the ministerial/departmental regulations that may disturb the implementation of the policy.
- 6.) To ensure adequate benefits for workers of state agencies while dealing with OTOP related work.

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Figure 3, Administrative structure of OTOP at the state (macro) level:



(Lortrakool, P, 2004, OTOP from Local to Global)

In relation to practical implementation of products the duties of the National OTOP Committee implemented through regional and provincial levels are said to be from:

- Identifying potential OTOP products
- Grading OTOP products (according to the OTOP policy champion star system)
- Providing advice on production
- Quality control
- Packaging
- Designs improvements to increase marketability

4.3) Product range within the OTOP initiative

According to an NESDP publication the basis involved in the selection criteria of OTOP producers are based on the following guidelines:

- The product do not contain materials that are 100% imported from abroad
- The production process does not involve illegal substance or anything that involves tax avoidance
- Product is not a pirated version of a Patented goods
- Product does not contribute to deterioration of the local environment

Product diversity within the OTOP initiative ranges from agricultural commodities to Handicrafts, Jewelry products, Leather products, or tourism related facilities. Based on the conception of OTOP Product Champion (OPC) initiated by Somkid Jatusripitak, the division of OTOP products into standards of 1star – 5 stars is not only a means to propagate an improvement of products by the producers but also marketing attempt for the successful producers that are rewarded). According to a governmental website, the main priority for assessing the product's rating are based on two major factors being:

- Quality of product
- Export (Marketability) potential of product

Categorization of OTOP products are essentially divided into:

1. **Foods:** *fresh agricultural products such as vegetables, fruits and meat, processed and preserved foods both ready-to-eat foods and instant foods, as well as food ingredients like paste.*

2. **Beverages:** *ready-to-drink products both alcohol and non-alcohol drinks like liquors, fruit juice and herb juice and instant drink products like instant ginger and instant tea.*

3. **Textile & Garments:** *weaving from natural fabrics or mixed synthetic, clothes, dresses, scarf, hats, socks, etc.*

4. Houseware & Decorations: furniture, home, and office ware, office utilities including the wickerwork and weaving products made for this objective like tables or chairs.

5. Artwork & Souvenirs, including decorative items, toys and games handicrafts

6. Non-Food Herbs: products derived from natural sources that are not foods but are cosmetics, soaps, shampoo, and aromatherapy scent.

(Lortrakool, 2005)

The grading of OTOP products are based on the notion of the OTOP Product Champion (OPC) which divides OTOP producers into 1-5 star products, based upon quality and export capability of producers, producer groups that are considered to be groups with poor market capability (1-2 star producers) meant to undergo the attempt of improving their products to better match the demands of the market in order for them to achieve the 1-3 stars level. As requirement for becoming part of the OTOP initiative is relatively simple consequently OTOP is made up of an extremely diversified range of products, the major range of product types are however displayed in the table below:

Table 6, Aggregated number of OTOP producers in 2004:

Product classification	Community producer groups	SMEs	Total
Food	7,367	3,083	10,450
Beverages	1,526	1,186	2,712
Textile & Garments	7,446	1,779	9,225
House ware & decoration	6,699	31,41	9,840
Artwork & Souvenirs	1,886	1,220	3,106
Non-food herbs	1,613	808	2,421
Total	26,537	11,217	37,754

(Department of Industrial Promotion, Ministry of Industrial, 2004)

CHAPTER V

ALTERNATIVE TRADE ORGANISATION AND THE FAIR TRADE MOVEMENT

5.1) The basic conception of Alternative Trading Organizations and the Fair Trade Movement

Examples of initiatives which aims to utilizes trade of local products as a developmental tool in Thailand is by no means restricted to the activities of the OTOP policy alone, examples of similar initiatives are such as operations of vocational training centers such as the Support Foundation (under royal patronage of H.M. the queen) or local as well as international Alternative Trade Organizations (ATOs). One of the most superlative ATO (despite its relative lack of recognition in Thailand to date) is known as the Fair Trade Movement (FTM). The core rational behind the FTM is a belief that 'Trade Not Aid' is the key to long-term poverty alleviation and the fulfillment of basic needs for disadvantaged producers as well as the empowerment process of indigenous communities. The Fair trade movement is said to have derived from the activities of ATOs that were formed as early as the 1920s in north American through initiatives of church organizations (such as the Mennonite and Brethen affiliated groups) which began to market goods made by people suffering from civil war in Russia and expanded their support to other disadvantaged artisan producers from around the world. In Europe ATOs began their operations during the 1940-50s in countries such as England, Holland or Germany, being organizations such as Oxfam, Traidcraft etc. European ATOs has in recent years, become particularly well known for their strength and success in marketing products such as Coffee or other agricultural commodities (European Fair Trade Association, 1998).

A definition of Fair trade is given as: *“a trading partnership based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers especially in the (Global) South. Fair trade organizations (backed by consumers) are engaged actively in supporting producers, raising awareness and in campaigning for changes in the rules*

and practice of conventional international trade' (Nicholls and Opal 2005). Fair trade as in the case of OTOP could thus be described as a developmental initiative based on the support given to small scale producers and the provision of appropriate market access that would guarantee a steady rate of market participation by the producers. In acting as a link between the Producers and the Consumers, Fair Trade under strict operating standard, allows more transaction to be made back to the producers as well as allowing them to be able to determine their own level of market participation. Fair Trade strongly believes in the creation of direct access between producers and consumers since the majority of disadvantaged producers in developing states are often dependent on a series of middlemen (as intermediaries and retailers), in which the return to the producers is often 10% or even less in comparison to the retail price (Benjamin&Freeman, 1980 P122). However, major distinctive operational principles that differentiate Fair trade from market based Trade initiatives are the belief that:

- Indigenous products can be commercialized through a process of product development that emanates from and honours cultural traditions among producers (rather than exploitative commercialization)
- Production and trade can transpire under socially responsible, non-exploitative conditions that provide a fair wage, maximize profits and contribute to long-term, socioeconomic benefits for producers and their communities.
- A customer base exists for culturally embedded goods produced in a socially/environmentally responsible manner.
- Ensuring that the trading of goods produced in marginalized communities (in both rural and urban areas) should be conducted on a basis which guarantees that the producers gets paid '*as much as possible*' rather than '*as little as possible*'.

(Littrell, Dickson 1999)

Thus while ATOs operate with a diverse range of producers in differentiated areas (as well as privately owned SMEs apart from SMCEs), emphasis needs to be given to the above mentioned principles which are seen to be the primary concern of Fair Trade prior to the maximization of profits. In order to ensure that organizations within the FTM adhere to the principles of Fair trade, the Fair Trade Labeling

Organization International (FLO) was founded in 1997 as an association of 20 labeling initiatives working together to standardize, certify and inspects the various Fair trade producers organizations that operate in more than 50 nations, in Asia, Africa and Latin America (Fair Trade Labeling Organization International, viewed 9 February 2006, < <http://www.fairtrade.net/>>). Thus before any organization/producers is able to become part of Fair trade there is a need for an initial physical inspection of the organization and its producers through the FLO's method of inspection, in which operators and producers are thoroughly informed of decisions affecting them and the potential areas that needs to be (corrected) or worked upon in order to achieve a Fair trade certification. However, if serious non-compliances to the principles of Fair-trade are detected than the operators would receive the so-called 'Precondition' from the FLO and it is only after the non-compliances are dealt with that the operator may be able to become a Fair trade producer (Initial certification, Fair Trade Labeling Organization, viewed 9 February 2006, <http://www.flo-cert.net/artikel_60_s82.html>).

5.1.1) Principles utilized by Fair trade to ensure equitable trade

Fair trade does not operate as an imposing centralized organization but rather as a net work of partnership between the various Fair trade organizations and their producers (strategic partners) in different regions which is similar to OTOP's method of operation. However, in the case of Fair Trade all operations are conducted under certain set of principles and standards which are used as a means to ensure that trade is conducted under economically, socially, culturally and environmentally sustainable manner, the condition which is referred to as Equitable Trade. Thus through the collective experience of ATOs in working with rural based small scale producers, the principles which are seen to be most important in the operation of Fair Trade includes:

- **Creating opportunities for economically disadvantaged producers**

Fair Trade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers who have been economically disadvantaged or marginalized by the conventional trading system.

- **Transparency and accountability**
Fair Trade involves transparent management and commercial relations to deal fairly and respectfully with trading partners.
- **Capacity building**
Fair Trade is a means to develop producers' independence. Fair Trade relationships provide continuity, during which producers and their marketing organizations can improve their management skills and their access to new markets.
- **Payment of a fair price**
A fair price in the regional or local context is one that has been agreed through dialogue and participation. It covers not only the costs of production but enables production which is socially just and environmentally sound. It provides fair pay to the producers and takes into account the principle of equal pay for equal work by women and men. Fair Traders ensure prompt payment to their partners and, whenever possible, help producers with access to pre-harvest or pre-production financing.
- **Gender Equity**
Fair Trade means that women's work is properly valued and rewarded. Women are always paid for their contribution to the production process and are empowered in their organizations.
- **Working conditions**
Fair Trade means a safe and healthy working environment for producers. The participation of children (if any) does not adversely affect their well-being, security, educational requirements and need for play and conforms to the UN Convention on the Rights of the Child as well as the law and norms in the local context.
- **The environment**
Fair Trade actively encourages better environmental practices and the application of responsible methods of production.

(The International Fair Trade Association, About Fair Trade, viewed 6 November 2005 <<http://www.ifat.org/frinciples.shtml>>)

These principles are applied on practical terms through the operations and principles standards which will be briefly discussed.

Producer Organisation Requirements: There are two sets of generic product groups standards, one for co-operatives of small-scale family farmers and one for plantations (in the case of Fair trade commodities). Local villagers not structurally dependent on hired labour must be organized into democratically run co-operatives with transparent accounting for the dispersal and use of Fair trade income. For Agricultural commodities, plantations wishing to be certified must have a democratically elected worker body that can distribute the Fair Trade premium in an equitable and transparent manner.

Sustainable Production requirements: These consists mostly of factors such as:

- a.) Fair price and an adequate return to production inputs
- b.) Long-term contractual relationship between producers and buyer to ensure continuity of orders and stability of income
- c.) Access to trade financing and technical support when necessary
- d) Decent working conditions which protect the rights especially of women, children and indigenous people
- 3.) Safe working conditions and
- f.) Production process that gives consideration to environmental sustainability.

Trade Standards: These regulations govern relations amongst Fair Trade Producers, exporters and importers. They include and the Fair Trade minimum price but also the requirement for credit-provision and long-term relationships between producers and importers. Some Fair Trade products, such as Bananas, have very strict standards regarding payments terms, quality requirements and dispute resolutions (Nicholls&Opal 2005).

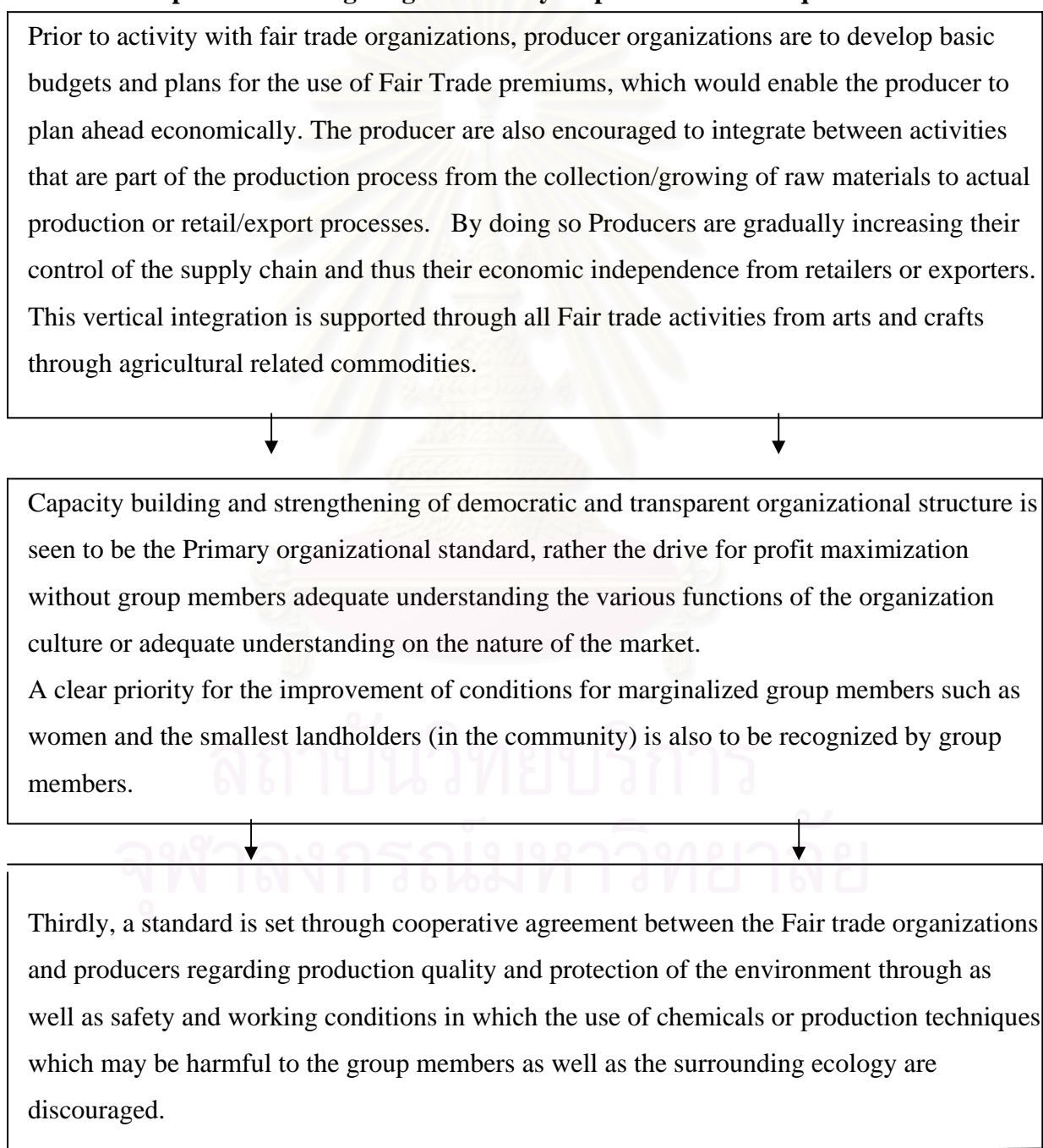
In addition to these stated principles which are strictly adhered by all organizations which claims to be the endorser of Fair Trade's vision, these principles are then applied to Fair Trade's consideration of:

- 1.) The type of producers endorsed (by Fair Trade)
- 2.) The conditions under which the production occur
- 3.) The approach for marketing goods to consumers.

These standards of operating principles are seen by Fair Trade to be necessary if the initiative is to achieve its stated objective of equitable trade and maximum contribution towards empowering artisan groups and their communities. An extract of Fair trade's method of instigating CE and ensuring equitable trade is demonstrated in the following table, using the example of Fair trade coffee.

Table 7,

Fair trade's process of instigating community empowerment and equitable trade:



(Writer's own creation)

5.1.2) Fair Trade a viable and growing market

Although the volume of fair trade products may be insubstantial in comparison to commodity trade in the world market dominated by large corporations, it is nevertheless a sector which has been growing steadily for the past few decades, as a viable alternative to the concentration of wealth and power in the commodity market by corporate players. With regards to its objectives of acting as a link between the Producers and the Consumers, Kevin Danaher, co-founder of the FTF remarks *'Fair trade activists understand that although the key participants in global trade are producers and consumers, the dominant commercial trading system gives almost no control of the process to these two key groups'*. The dominance of corporate trading power, in which the entire market is often dominated by three to six giant corporations, has been a growing concern among Fair trade customers, with a clear example being the global trade of coffee, of which three coffee companies alone are believed to have sales figures exceeding fifty billion dollars since 1980.

Fair Trade is a growing, international movement which ensures that producers in less developed countries get a fair deal. Fair in this case implies fair price for their goods (one that covers the cost of production and guarantees a living income), long-term contracts which provide real security; and for many, support to gain the knowledge and skills that they need to develop their businesses and increase sales. The rising consumer base of Fair trade products is said to derive from the growing market segment of consumers with environmental and cultural awareness whom wants to ensure that their purchase does not contribute to environmental degradation while enabling a better and dignified living for communities in the developing world. On the other hand, another important issue that has contributed towards the growth of the Fair trade movement in the past decade is the increasing awareness of the rights of workers (through the anti-sweatshop rhetoric of the 1990s) or as well as the environmental impacts of mainstream commercialization processes.

Despite the small annual variations, the concern for socially responsibility production of goods is generally becoming a growing concern for consumers in Europe, the USA as well as Japan. In Europe it is reported that *'Eleven of the large ATOs that comprise the European Federation of Alternative Trade (EFAT) have annual sales of*

approximately 150million dollars; they receive some financial support from the European Union.’ (Lettrell and Dickson 1997, page 351).

The reason that Europe bears larger sales of fair trade products in comparison to North America has a topic of research conducted by Millennium Communications (a Washington D.C. based communications firm). The reason for a larger volume of fair trade goods sold in Europe (despite its higher price than market based crafts/commodities) perhaps reveals an essential point regarding consumer education, as *‘Europeans tend to be more aware of international issues, have a better knowledge of world geography, and understand how their consumer choices affect the lives of people in other countries’*. The most effective ways in which customers can be ‘educated’ lies in the ability of ATOs to relate the background of the products, the story of the producers and the impact which ATO sales has contributed to the betterment of the producers. This is often achieved through several formats such as magazines, advertisements, press releases, trade shows or through specific publications such as FTF’s Customer’s Guide to Fairly Traded Products (Fair Trade Federation, 1997). The best example of rapid Growth within the Fair trade market would be the case of Coffee (since coffee was among the first product to be placed within the fair trade system) in which by from it’s the introduction of Fair Trade coffee in 1998, it has seen a dramatic rise of 75% annually, as according to Paul Rice Ceo of Transfair USA *‘The accelerating growth of this market in 2003 reaffirms that Fair Trade certification is a win-win for farmers, businesses and consumers alike. This growth confirms what market research has been indicating for some time now: consumers are increasingly concerned about where their products come from, as well as the social and environmental impact of those products’ (Fair trade achieves record growth in 2003,* Viewed,16February2006<<http://www.newstarget.com/008052.html>>).

5.2) Fair Trade initiatives in Thailand

According to Oxfams 2003 Thailand Fair trade report, fair trade agricultural commodities in Thailand are confined to two commodities being (organically grown) rice and coffee, while crafts and cultural related produce are the main non-farm fair trade commodities present in Thailand. Examples of Fair trade organizations that operate locally in Thailand are such as ThaiCraft, Green net, the Y Development

Corporation or the Thai Tribal Craft. While international ATOs such as Ten Thousand Villages or Bridgehead on the other hand are also involved with the trading of Commodities and Crafts from Thailand (Renner, 1998), they are not wholly based in Thailand. A brief outline of different Fair trade operations in Thailand will be given in the following section, starting with Fair Trade coffee, followed by fair trade rice and Crafts.

5.2.1) Fair trade coffee

Thailand also has a certain amount of Fair trade coffee, endorsed by local international ATOs such as GlobalExchange or international retailer such as StarBucks coffee (Starbucks, Fair Trade and Social responsibility, (2004) viewed 8 February 2006, <<http://www.starbucks.com/aboutus/StarbucksAndFairTrade.pdf>>). Fair Trade coffee is now available in certain local supermarket chains such as Tops supermarket by 2006.

Coffee is a Fair trade commodity that has received increased popularity within the past few years. Thailand also has a remarkable example of Fair Trade coffee producer (cooperative owned and managed) that has achieved Fair trade's objective of becoming self-sufficient producer; the most prominent group being known as Lanna Coffee of Chiangmai. Although Lanna coffee started as an income diversification initiative based the operating principles of fair trade have been able to set up their own Product line as well as a coffee shop outlet in Chiangmai known as Lanna Cafe, according to their website: *'Lanna cafe seek to introduce high quality Thai Highland coffee to more people not only in Thailand, but worldwide, and to assist the coffee farmers of the Thai Hilltribe who do not have direct access to the market. Members of Thai Tribal Highland Arabica Coffee Production undertake strict quality-control measures of Lanna cafe coffee and Marketing Cooperative which are facilitated though the Integrated Tribal Development Programme (ITDP). All of our coffee is purchased directly from farmer's groups. Lanna cafe supports sustainable indigenous farming to promote local development in Thailand's Hilltribe villagers. All of our coffee is purchased directly from the grower's group Thai Tribal Highland Arabica Coffee Production and Marketing Cooperative'*. (Lanna Café 2005, viewed 29 January 2006 <<http://www.lannacafe.org/aboutus.htm>>)

5.2.2) Fair trade rice in Thailand

As Rice has always been the main export commodity in Thailand, (organically produced) fair trade rice has been endorsed by a local NGO, Green Net in cooperation with a Swiss Based ATO 'Claro' (Udomkit, 2002).

According to Udomkit in his research on the viability of organically produced-fair trade rice in Thailand: *'It is quite significant for the result of the research that farmers from the fair trade group have been empowered in ways which make them positive about their attitudes towards their lives. Quite literally, they believe that they have power and ability to change and improve their lives. Conventional farmers seem to be the group that are least convinced of the possibility of quality of life improvement'*. Also:

'In general, research has held the view that fair trade projects benefit farmers and other involved actors. This research confirms the general finding. The fair trade network is less complicated than conventional farming. The relationship between actors involved in fair trade is more 'producer focused', even if not completely equal. There is evidence of positive effects of fair trade for its members, particularly in terms of social and environmental benefits. However, fair trade in organic rice may not necessarily and always increase incomes for farmers. Shifting from conventional farming to organic farming contains some risks of yield drop, and the costs of conversion is high. Many farmers particularly those who are very poor, cannot afford to carry these risks. However the social and environmental benefits from fair trade are significant. Farmers gain knowledge and they learn to improve and sustain their livelihood'.

5.3) Thaicraft OTOP's Fair trade counterpart for craft products

Non-farm fair trade products in Thailand are generally endorsed by two separate organizations, Thaicraft (TC) and Thai Tribal Craft, although the thesis will focus on the operation of TC as the fair-trade counter part to the OTOP policy. As an ATO, TC initially worked with more than 80 community producers (SMCEs) from around the country with emphasis on creating market access and enhancing the producer's capability to empower themselves. The ThaiCraft Association was established in 1991 and became a member of the International Fair Trade Association (IFAT) in 1995. IFAT is a network of ATOs that utilizes the system of Fair trade

including producers, local businesses and retailers, it currently claims to have 200 members in 59 countries, which exchanges information, pools resources and coordinates trading arrangements with its different ATO members (Brown, 1993). A list of Fair Trade Organization in Asia that are members of the IFAT is given in appendix B. In process to expand its domestic and export sales, the ThaiCraft Fair Trade Company was established and TC started to employ fulltime staff team of 12 professional employees. 70% of the shares of The ThaiCraft Fair Trade Company Limited is owned by private owners, while the other 30% is held by the ThaiCraft Association.

5.3.1) Case Study 1: Fair trade craft producer, Sop Moi Arts, from self-help initiative to self-sufficient producers

Non-farm income and work in the informal sector has become an increasingly important source of income for the sustaining of rural livelihoods in much of the developing world. In the case of Thailand, various factors such as the dependence on seasonal market-based mono-crop culture promoted by the government or the degradation of surrounding ecology has led to the importance of various forms of self-help initiatives (as well as SMCEs). Sop Moei Arts is among one example of SMCE which initially started through the funding of the Swedish International Development Agency (SIDA). The purpose of the project was so that Karen women from the village of Sop Moei with traditional weaving skills were eventually to become managers and retailers their own cultural production as an income diversification initiative. Like most of the newly initiated SMCEs, Sop Moi Arts faced major market problems when attempting to sell their products to the local market which resulted in 'enormous difficulties and they were competing for poverty wages' nevertheless the project was sustained through their collective efforts of its members, in which assistance was also received from international designers which assisted the enterprise to add value to their textiles. Through working with the Thai Craft Association, Sop Moie Arts was able to establish a steady market access of which by 1997 they were even able to open their own shop in Chiangmai.

By May 2000, Sop Moi Arts had around 60 textile weavers, with an average age of 20 years old, working in 7 villages of which the stable income averaged around 6,000 baht per month.

'The income generated by artisans having significant impact on improving levels of health and education in the area. Artisans are paid 60% of the money from sales and their families benefit directly by having more money for food. 40% of Sop Moei Arts income is allocated to school scholarships that help any Pwo Karen in the project area who needs financial assistance for education. This includes children who have to go to live in town to attend school beyond grade four or six, which is now available in many of the villages. It also includes students who attend high school and university, significant accomplishment for villages where no one reads or writes. Increasing the possibility for continuous education outside their communities, Sop Moei Arts also hopes that students will return to assist the community development work in their villages. To this end they ask university level students to come back and work as employees of Sop Moei Arts for a minimum of two years; otherwise their scholarships are considered as loans to be repaid over a period of time. Ultimately, the goal is for Sop Moei Arts to be operated entirely by people indigenous to the region.' Sop Moei Arts currently also extends its operation to the sales of Fair Trade coffee, available in its retail store. It is the belief of the thesis that Sop Moei Arts is among one of the best examples of Fair Trade's success in Thailand, demonstrating how traditional methods of livelihood if articulated in a cooperative fashion, and assisted by organizations such as TC could contribute to a substantial learning process and a stable income for the local community.

5.3.2) Case study 2: World of good Fair trade pricing report

Case study 2 is based on the finding of a US based researcher Kara Penn (2006) from the World of Good Development Organisation, conducted in late 2005 to survey the impact of Fair Trade on producer groups in Asia. In this particular research, Penn visited 3 countries being Thailand, Cambodia and Vietnam, in which a total of 133 products from 18 producer groups (Small and Micro Community Enterprises) were tested. An overview of groups that are TC partners that were surveyed as part of the Fair Trade Wage Guide Project, being 1.) Aranyik Stainless Steel, Ayuthaya, 2.) Recycled paper products, 3.) Chainat Baskets, Chainat, 4.) Saori for Tsunami relief, Phangnga.

1.) Aranyik Stainless Steel, Ayuthaya

Background of producers

Group managed under democratic platform. Production of Cutlery and blades and other steel items are primary income sources for most employees in group. Informal benefits also provided for (family members) of producers depending on need.

Wage level in local context and product pricing

High demand for skilled workers in village helps to keep wages high, thus workers receive adequate wages in comparison to local standards. Wage range from 140 – 400 baht per person, per day.

Condition of production for group

Working conditions at the village homes are not as good as in the group workshops, as workers prefer not to wear safety goggles

2.) Recycled paper products, Bangkok

Background of producers

Group operates under cooperative structure. Craft production is part time (income diversification) work. TC is primary market for group. Approximately 26 persons assist in production.

Wage level in local context and product pricing

Group decides their own price for products. Wage ranges from 140 – 512 Baht per day, depending on item produced. Paper strand preparer was only making 80 Baht per day, so the group as a cooperative decided to pay more for this person (Penn 2005).

Condition of production for group

Work duration depending upon amount of order, group members are aware of Fair trade principles and ensures that new members are also aware of the principles. Group members prefer variety in production, so duties are balanced between workers and members appreciate laid-back atmosphere of work place. Working from home provides huge benefits for women in group.

3.) Chainat Baskets, Chainat

Background of producers

Farming is primary income of group members. Group is managed under Cooperative structure of which producers own the stocks, other benefits for members such as finances. Group has multiple customers although TC is the only exporter.

Wage level in local context and product pricing

Wage varies depending on part of production but average wage is around 42 – 162 Baht per day. Reports of Strong competition from Vietnam (resulting lowering of local wages).

Condition of production for group

Group members appreciate flexibility of working environment. Group leader is aware of Fair Trade regulations but artisans/group members are not aware.

4.) Saori For Tsunami Relief, Phang-nga

Background of producers

Main industry in area was fishing but livelihood in general suffered following 2004 Tsunami. Group is foundation supported and employs around 40 local women. Primary market is in local area and TC.

Wage level in local context and product pricing

Pricing at current is unsystematic but workers receive 160 baht daily wage. Extra work is also paid by piece.

Condition of production for group

According to report quality of product is high but input is expensive and labour works slowly under relaxed atmosphere. Group is over producing to keep members employed.

CHAPTER VI

OTOP POLICY UNDER THAILAND'S CONTESTING DEVELOPMENTAL PARADIGMS

6.1) SD in Thailand in relation to the background of OTOP

The period of dialogue and compromise between the globalised and the localized visions of development in Thailand, is often associated with the immediate period following the 1997 economic crisis. However, despite the widespread adoption of SD related terminologies by the Chuan government in 1997, economic globalization still overshadowed or superseded the need for a fundamental reform in the governments' social and ecological related policies. Perhaps there is a need to emphasize the diminutive awareness that the urban population and large segments of the middle class, with regards to concepts such as Agenda 21 or the rationality of the WC notion. Although there is admittedly an increased awareness of ecological limitations and the need for environmental conservation, stemming from the conservationist mode of thinking continuously propagated globally throughout the 1990s rather than the recognition of inter-dependency between social-environmental dependencies, as in the WC notion.

The typical mode of thinking prevalence large segments of the urban populace or parts of the bureaucratic community is in viewing (certain) rural populace as (uneducated) agents of environmental destruction, while they often disregard the ability and commitment of communities (due to their dependency and relationship with local resources) as protectors and monitors of the environment. The reason that the urban populace continuously supports the globalised form of economic liberalization and consumption patterns rather than the localized perception of development are arguably based on various historical, socio-economical factors. However, the fact that they possess aggregated capability to adapt to modernization as well as access to financial resources or the associated glamour of modernity ensures their approval of such developmental pattern, while a large perception gap continues to persist thus causing the majority of urban populace to ignore the alternative plight or benefits of the localized paradigm (rural based paradigm). It is

also undeniable that a large segment of urban population, are indifferent towards the possibility or the promotion of concepts such as 'Permaculture', 'Polyculture' or Sustainable Agriculture as advocated by the localized vision of development in general.

In this respect, even the conceptual framework of sustainability implied by H.M. the king was evidently never fully understood by the urban populace, as professor Pravesh Wasi remarked:

"Sufficiency economy, in contrary to popular understanding does not imply no-trade, no-commercial productions, no-industry as many of us has come to believe, these popular beliefs stem from our own misinterpretation of the King's initiatives. The Netherlands, Denmark and Switzerland are examples of states which implemented various degrees of sustainable economic development which in the end created a balanced paradigm of growth within those nations".

His remarks reflects the undeniable truth regarding the limited understanding of the notion of 'Sufficiency economy' by the urban population, as they tend to assume that while they are extremely useful initiatives they are mostly suited for rural areas, with less capital accumulation, while ignoring the wider aspects and more holistic approaches of such concepts.

In relation to Thailand's contesting developmental paradigms, 'the market' is viewed by the conventional (globalised) SD notion as the primary tool of which sustainable economic growth is to be achieved which in turn enables a continuous distribution of developmental benefits (and wealth) accordingly. Leef (2002) has stated in reference to the conventional SD paradigm: *'On one side there are the proponents of development as sustained economic growth, who trust in the market place as a means to introduce sustainability in human consumption patterns and development objectives'*. However, *'there are opponents of economy-centered development who condemn the neglect of social and environmental sustainability especially the on-going process of creating a common world market place'* (ibid). Leef's latter perspective being the localized paradigm of development, yet although the local paradigm aims to disengage the dominance and dependency of the neo-liberal market forces, it also recognizes the role of the market as a constructive social mechanism. Nevertheless both paradigms have come to agree that economic growth

is by no means the primary objective of society, as growth while being sustained is not meant to supersede social, cultural or environmental (regeneration rate of ecological resources). In the case of Thailand as briefly discussed, successive governments since 1997 have come to recognize the need to advocate certain objectives which has for long been seen as an imperative necessity by advocates of Alternative (localized) development in Thailand, these objectives being:

- 1.) The need to enable the process of decentralization which could only be achieved through increased participatory development initiatives**
- 2.) The need to utilize the local communities as a micro unit of development**
- 3.) The need to reduce the income distribution gap between the rural and urban populace**

While the Democrats (under PM Chuan) introduced policies based upon these conceptions such as the SIF, the SME promotion initiatives etc, the TRT enthusiastically incorporated these objectives into the conceptual implication of their 'Populist' policies. These policies being the 'one million baht village fund', the 'Small and Medium Loan', with the OTOP policy being no exception. OTOP in particular is meant to be an enabling mechanism of CE and SD through its utilizing of trade of local resources (human, natural, skills etc) at the Tambon level throughout the nation. In this regard OTOP could be hypothetically be viewed as a synthesis between the compatible objectives of the two contesting paradigms being a market oriented approach of combing trade with development, in which the policy implication is meant to be achieved in a manner which is economically, socially, culturally and ecologically responsible. However, throughout much of its inception under the Thaksin government, the question of whether or not does OTOP's current emphasis on the commercialization of its various products reflects its perceived objective of enabling equitable income generation, has rarely been raised by official OTOP related reports, as shall be examined. Another important consideration which is often overlooked by official reports or the media is the nature of the work within OTOP's sphere of activities, much of which lie within the realm of the informal economy. With regards to the potential sociological aspects of OTOP policy, according to the National Statistics Office, out of Thailand's 590,000 home-workers a substantial number of these are certain to be involved within the activities of OTOP's

37754 producers (2004 statistics of table 6), yet according to the report by the International Labour Organization (ILO) these workers *'face safety and health hazards through lack of knowledge or poor working conditions. Some get ill from toxic chemicals, dust particles, or from sitting or working in inappropriate positions for long periods'* (Safety and health for home workers to be reviewed, 2004, <http://www.ilo.org/public/english/region/asro/bangkok/public/releases/yr2004/pr04_39.htm>).

Prior to an analysis of OTOP's contribution towards Sustainable income generation and community empowerment there is need to elucidate:

- 1.) The nature of the informal economy which makes up much of the work in small scale industries endorsed by OTOP as well as the Fair Trade.
- 2.) The difference between 'income diversification' and 'employment creation' in the context of developmental initiatives

6.1.1) The informal sector and its vital characteristics

The definition of the formal and informal employment sector is given below:

The formal sector: Organizations that have defined management and administrative systems, including government and private agencies that employ at least 10 persons;

The informal sector: Enterprises typically operating on a small Scale with a low level of organization, low and uncertain wages, and no social welfare and security (Role of the Informal sector, United Nations Economic and Social Commission, viewed 17 August 2005, <<http://www.unescap.org/drpad/publication/protecting%20marginalized%20groups/annex1.pdf#>>>).

Additionally Small Scale producers and the informal sector make up a large and growing employment opportunity in developed as well as developing nations, according to the Copenhagen Declaration:

"In many developed countries, growth in employment is currently great in small and medium-sized enterprises and in self-employment. In many developing countries, informal sector activities are often the leading source of employment opportunities for people with limited access to formal sector wage employment, in particular for

women. The removal of obstacles to the operation of such enterprises and the provision of support for their creation and expansion must be accompanied by protection of the basic rights, health and safety of workers and the progressive improvement of overall working conditions, together with the strengthening of efforts to make some enterprises part of the formal sector ... Governments should enhance the quality of work and employment by ... (b) improving health policies that reduce, with a view to eliminating, environmental health hazards and provide for occupational health and safety, in conformity with the relevant Conventions, and providing informal sector enterprises and all workers with accessible information and guidance on how to enhance occupational safety and reduce health risks”.

(The United Nations, The Copenhagen Declaration, 1999)

Seasonal migration of rural workforce to seek employment in the informal sector during unproductive agricultural periods is a common characteristic of developing states that has gone through decades of ‘urban-centered development’.

6.1.2) Income diversification and Employment creation in context of development initiatives

Through the realization of the nature of the informal sector and its characteristics, any initiative which aims to alleviate rural poverty must keep in mind the nature of work and employment in the agrarian sectors with less formal job opportunities in comparison to industrialized urban vicinities. Thus where as employment creation is meant to imply the creation of a formal or informal employment opportunity, income diversification of rural livelihood on the other hand should be understood as:

‘The process by which rural households construct an increasingly diverse portfolio of activities and assets in order to survive and to improve their standard of living.’

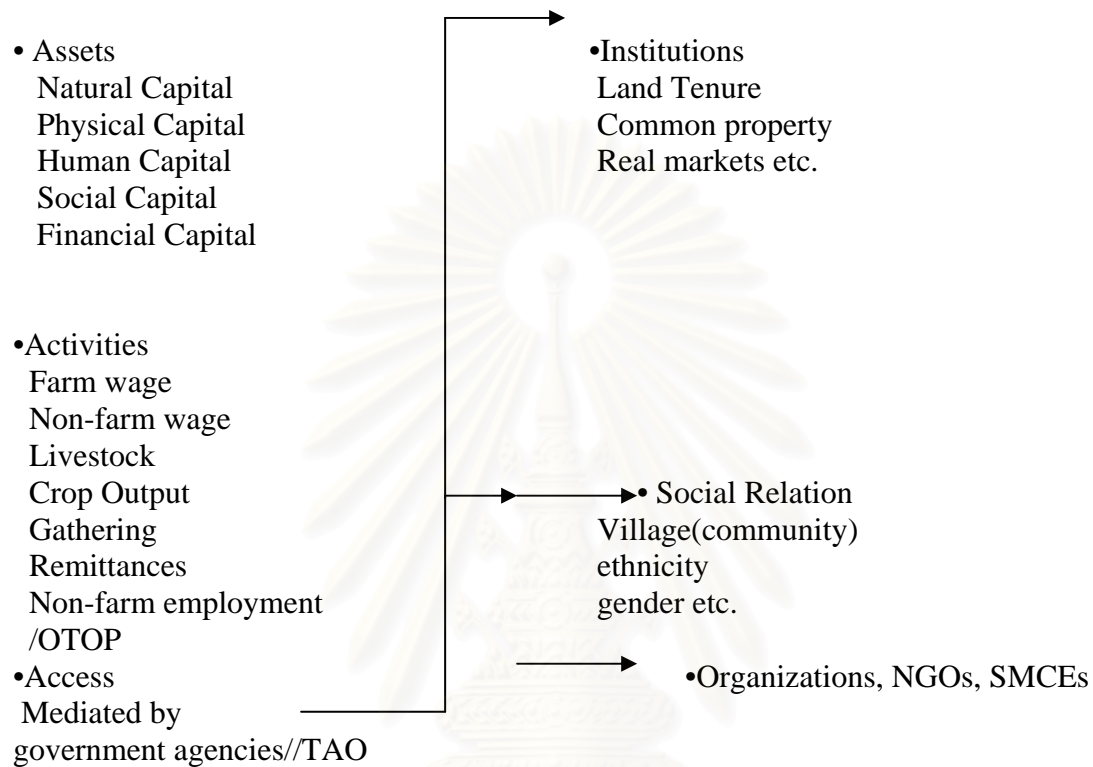
(Ellis, F page 15)

In the case of Thailand specifically, income diversification is should be viewed as an initiative enabling the community member to diversify their income base, in other activities which does not constitute their primary income base. In the case of OTOP policy in particular, employment creation should be used under the circumstances of workers being hired as part of forma/informal employees within a production of goods. Income diversification on the other hand implies the ability of community members to earn extra income through taking part in the production

process of OTOP products under a cooperative/democratic platform of SMCEs in its various forms.

Figure 4, A diversified rural livelihood

Livelihood Comprises:



(Adapted from Ellis F, (2000) Rural Livelihoods and diversity in developing countries, Oxford University Press, P16)

6.2) Clarification of OTOP's contribution towards community empowerment

In the following section the thesis intends to elucidate OTOP's precise contribution towards the notion of CE. This would be followed by a section which aims to analyze the current portrayal of the OTOP policy and the indicators currently used by state agencies and related organizations to evaluate the success of the OTOP policy. The notion of CE in Thailand has long been identified as a viable and desirable part of development, based on the localized developmental perception such as the notion of WC or sufficiency economy among others. Unlike the contested connotations of SD, CE is better defined and understood among participants of

national developmental process (being academics, politicians, the bureaucracy and other stake-holders). The UNDP 2003 Human Development Report has given the tangible approach for community empowerment in Thailand as being based on 3 principle objectives:

1.) Building up their community power to solve problems independently

Since empowerment has been defined as *'the ability of people to gain understanding and control over personal, co-exists, economical and political forces in order to take action to improve their situation'*.

2.) Building their community power to negotiate cooperation with outside agencies

The aim of this process is in order for the community to learn how to correspond with outside forces while being able to increase their assets through means such as networking with other groups or allies in similar situations. The example given by the UNDP 2003 Human development report is the Samrong Canal Community group and their case of success empowerment, which enabled them to claim their rights and negotiate their claims to rights.

3.) Building their community power and networks to claim and protect community rights.

Capital which is an economical factor and knowledge and collective learning which are social factors are meant to be compatible and increase correspondingly.

(UNDP Human development report 2003)

CE and adherence to SD are undeniably presented as an essential feature of OTOP's attempts to combine the notion of 'trade' with 'development' both of which are meant to be conducted under a 'sustainable circumstances'. Moore (2001) in his analysis of community empowerment mentions that the term has in recent years become a standard referential objective for much of the 3 largest international developmental institutions such as the UNDP, the World Bank and the International Fund for Agricultural Development (IFAD) as well as for national governments. Yet despite the wide usage of the term there is no clear logic or special connection between empowerment of the poor and the community organization within the neo-liberal path to development. *'Governments and Politicians in developing countries understand full well that mobilization of the poor at the community level poses no serious threat. Community Empowerment is what game theorists call Cheap talk;*

something one can happily say in the knowledge that it will have no significant consequence’.

Based on the normative definition of community empowerment as defined by the UNDP report and favoured by the nation’s civic sector, community empowerment in Thailand implies the creation of a ‘Continuous Learning Process’ with the objectives of increasing the ability of community members to collectively solve their own problems through appropriate management of their available resources and the application of suitable technology/knowledge. Thus any policy that claims to be purporting the objectives of ‘community empowerment’ should inevitably lead to the strengthening of the community’s solidarity organizational power and its ability to linkup with similar groups of stakeholders as a platform for the enabling of the collective learning process. In the case of OTOP its contribution towards the enabling of a community learning process is largely generated through its support of SMCEs and cooperatives due to their democratic organizational structure, which has been recognized by advocators of both developmental paradigms as an attractive tool for a human centered learning mechanism and an income distribution tool for the grassroots populace.

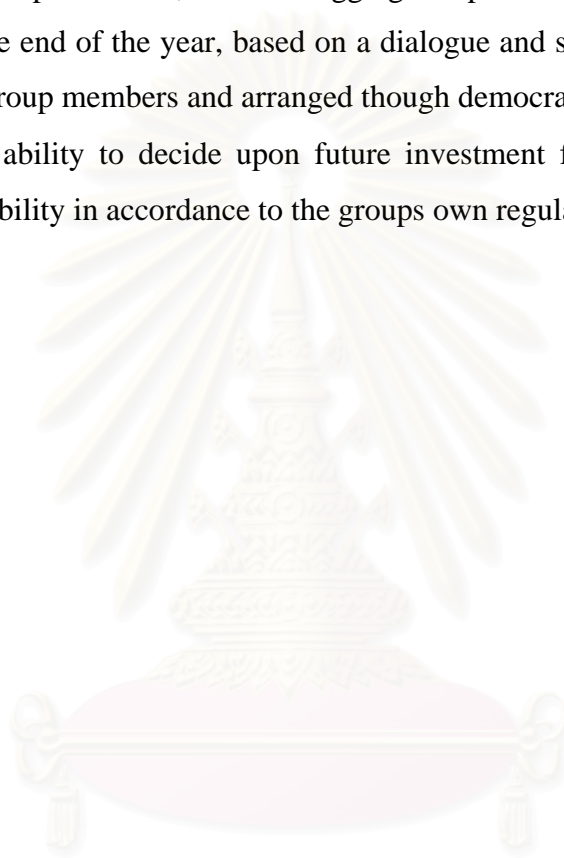
OTOP’s support of privately owned SMEs on the other hand, while being a viable tool to generate employment does not contribute towards the creation of a community learning structure in the way that SMCEs and cooperatives does, the reason being:

- Community members working as employees of SMEs do not have formal rights in decision making processes due to the undemocratic platform of the organization
- The nature of privately owned SMEs with the objectives of minimizing cost and maximizing profits through the managerial capabilities of the owners.
- The undemocratic structure of which profits is accumulated or utilized on a personal basis rather than collectively utilized or distributed as in the case of SMCEs and cooperatives

For this reason, while the growth and commercial transaction generated through activities of SMEs are certainly an integral part of income distribution in the rural areas through its ability to generate an extent of employment (largely within the informal sector), it is only through the activities of SMCEs and cooperatives which

are operated and managed under democratic platform that OTOP would be an enabling mechanism for:

- Collective learning process for the community on the ability to utilize local resources (skills, knowledge) through the market according to their own choice of engagement
- Provision of equitable income diversification, appropriately distributed to group members, in which aggregated profits are equally distributed at the end of the year, based on a dialogue and standards seen suitable by group members and arranged through democratic platform.
- The ability to decide upon future investment for further production capability in accordance to the groups own regulation and objectives.



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Table 8, OTOP's contribution to its stated objectives received by different types of producers being SMCEs and SMEs:

OTOP's stated enabling objectives	Policy implication of OTOP from SMCEs and Cooperatives	Policy implications of OTOP from SMEs
Decentralization process	At the provincial level related budgets are allocated to each province in order to endorse OTOP producers and support (retail) market channels. At the Tambon level the TAO utilized as the facilitator of OTOP in its authority to select and promote OTOP producers and its responsibility to correlate technical assistance of Producers with related public as well as private agencies	
Empowerment of the Local community (Enabling of the community learning process)	<ul style="list-style-type: none"> -As members of Groups Cooperatives are democratically elected and managed, facilitation of OTOP products could be utilized to improve market skills and production knowledge of members - Group members will be able to utilize knowledge to eventually decide their Community Strategic Plan in the long run 	<p>As SMEs are privately owned, the decision making process is not extended to members of the group, and thus limiting the learning process to the director or managers of the group, employees may gain learning process in terms of production skills in various forms (human development).</p> <ul style="list-style-type: none"> -Managerial and strategic decisions are only made without consultation to other stakeholders (employees)
Income distribution	<ul style="list-style-type: none"> -Income and profits of the group is equally distributed according to the democratically set rule and regulations. -Profits generated are utilized according to the group's decision on a democratic basis -Group members are able to choose between fulltime work with the group or as part-time income diversification according to their needs 	<ul style="list-style-type: none"> -Due to the unregulated nature of the informal sector, large number of employees of SMEs benefits through informal salary - Profit made is not distributed to group members but is managed and accumulated by the owners -Inflexible working hours, depending on relationship with group manager

(Writers own creation)

6.3) The assessment and portrayal of OTOP by related agencies

In 2001, the OTOP policy initially claimed the endorsement of more than 47,603 products made by small scale producers from 7,255 Tambons throughout the country. However, based on the Department of Industrial Promotion's information by 2004, the number of OTOP products dropped to 37,754, which seems to reflect the inability for a large number of producers to maintain production due to various circumstances. The most common host of quantitative statistics/indicators used by the government to portray the commercial success of OTOP are:

- Provincial OTOP sales figure,
- Aggregated OTOP sales figures
- National OTOP sales figure
- Number of Producers to Receive Marketing Support
- Amount of producers that have received Certified Trade standards

(Department of Industrial Promotion, viewed 4 August 2005,

<<http://www.dip.go.th/research/previewarticle1.asp?articleID=122&WEBSITEID=01>>

The overt emphasis given to quantitative data over qualitative aspects of the policy is perhaps best reflected in the analysis of OTOP by the National Research Council of Thailand (NRCT) in conjunction with Suo Zhenco LTD (Thailand), despite being the government's most comprehensive analysis of OTOP (with more than 10,000 persons surveyed) the report does not seem to offer significant comprehension of the policy's social implication or the disaggregate implication of the policy in general. Rather, the major concern of the report is focused upon the financial performances and difficulties encountered by randomly selected efficient OTOP producers throughout the 4 regions. Within each region, emphasis is given to:

The producers: the male/female ration, Average Age of producer groups, Level of education for producer groups, aggregate type of produce, aggregate income level of producers.

The production process: major types of problems faced by the producers, a verage shift, cost of raw materials

Consumers (market research): general male/female ration, average age of consumers, average income of consumers, the extent of consumer satisfaction

or the extent that consumers has rendered OTOP products to other consumers etc.

(The Evaluation on One Tambon One Product, 2003, Suo Zhenco/NRCT)

In terms of the major problems which needs to be dealt with, the same report has presented major production and distribution problems as:

- Lack of product standardization, the government needs to deliver further guidelines regarding quality control processes
- Lack of product differentiation and creativity in product design resulting price war between categories of substitute products
- Due to the traditional nature of certain products, and the lack of awareness in legal issues (such as Intellectual Property Law) producers often ignores 'Patent' related issues with regards to their products
- The OTOP logo is yet to be used on a regular basis by products, thus costumers are unable to differentiate between products that are part of the policy and products that are not
- Producers lack the capability to procure market channels by themselves, while product outlets often remains limited

In the NRCT report the two Inferential Statistics that has been selected as Indicators of OTOP's social dimension and its success in employment generation/income diversification are:

- 1.) The average fluctuation of workers migrating to seek employment within the different regions (demonstrated in table 9 and table 10).
- 2.) The average income change of the population in the regions.

Table 9, Average movement of workers seeking employment outside their regions:

Region	2000-2001	2001-2002
The Midlands	+21.10%	-18.80%
The South	+14.10%	-19.10%
The North	+15.80%	-40.40%
The North-East	+9.60%	+24.60%

Table10, Average income change in different regions:

Region	2000-2001	2001-2002
The Midlands	-1.51%	+7.71%
The South	-0.07%	+15.82%
The North	+5.99%	+4.01%
The North-East	+6.98%	+14.00%

(The Evaluation on One Tambon One Product, 2003, Suo Zhenco/NRCT)

The analysis by the Suo Zhenco report, states that although it would not be plausible to claim that these improvements in social indicators are due to the implementation of OTOP alone, yet OTOP is likely to have contributed towards the improvement for income distribution and the decrease in the need for rural migration through its ability to provide income diversification and employment at the tambon level.

Nevertheless, according to the disaggregate research on 162 OTOP producers by Pintobtang and Kochsawat as the process of becoming an OTOP producer is relatively simple, it has been possible for SMEs to be transformed into SMCEs through registering its employees as group members (as in the case of real community producers and cooperatives) while the management power remains to be conducted by the group leader (or the former owner of the group). According to Pintobtang and Kochsawat this process was often encouragement by local authorities, since it enables them to present capable SMEs as part of the tambon's successful producers. Pintobtang and Kochsawat have named this group the 'Mock Community Producers' or (MCPs). It is reported by Chayutrarat 2005, page 102 that these MPCs consist largely of SME producers that have been in existent prior to the implementation of the OTOP policy, and were later encouraged by local officials to register their groups as SMCEs within OTOP, in which they would be entitled to receive marketing/technical assistance from related agencies, as well as public relations opportunity due to OTOP's widely acknowledged perception as a locally produced 'Brand'. In this regard, OTOP producers should no longer be differentiated merely SMCEs and SMEs and cooperatives but the distinction should be made between:

- The Genuine Community Based Producers (SMCEs)
- Small and Medium Enterprises (SMEs)
- SMEs registered as SMCEs or Mock Community Producers (MCPs)
- Local Cooperatives

It is the belief of the thesis that the quantitative indicators employed by related agencies such as the NRCT by no means portrays the socio/cultural implication of the policy on its extensive number of producers or the problems faced by unsuccessful producers. There is perhaps a need to emphasize the fact that out of the 37,000 OTOP products from around the nation, only 8,000 products were able to receive the status of 3-5 star products under consideration of the OPC, the overwhelming majority of these 3-5 star products are also reported to be those produced by SMEs, MCPs or highly experience cooperatives operating within OTOP rather than the product of SMCEs (Chayutrarat 2005). The majority of SMCE products on the other hand tend to receive only 1-2 stars (or no stars) by the OPC partly due to quality or lack of product standardization due to the inexperience and lack of marketing knowledge on the behalf of the community producers (ibid). A report by the Thai Labour Development Organization, also similarly states that out of the OTOP's alleged 50,000 producer groups, the majority of SMCEs tend to procure products of 1-2 stars by the standards of the OPC. Although there are certainly an extent of SMCEs that have been able to achieve 4-5 stare OPC standards, the success of SMCE producers within the OPC seems to be dependent upon various imperative factors such as:

- Group capability (how long group has been in operation)
 - Group leadership
 - Number of members within group
 - Level of marketing knowledge/ability to adapt to market demand
- (Srisantisuk K, 2005)

The majority of SMCEs however have limited knowledge of business procedures, manufacturing processes as well as marketing knowledge and their products are sold locally where as they tend to perform poorly in wider markets. While the governmental reports such as the NRCT has made brief mentions of unsuccessful OTOP producers and the problems they face on an aggregate level such as:

- The occasional lack of raw material due to inability to anticipate market demand
- The lack of production knowledge, utilization of new techniques and technology or lack of knowledge in improving packaging of products
- Lack of market access and retail centers

- Lack of marketing knowledge and product standardization, as well as the ability to differentiate products from competitors

However there seems to be a lack of emphasis given to OTOP's wider sociological implications such as

- The potential debt incurred due to unsuccessful attempts to join the initiative
- What are to be done with remaining stocks that can not meet the various standards
- The potential ecological damage or lack of natural materials due to commercialization of traditional products

In the interview with two (anonymous) members of the NRCT in 2005, the NRCT staff specifically confirmed that it was beyond the duty of the NRCT to establish OTOP's potential (above mentioned) social implication, or the issues relating to status of unsuccessful producers, as (to date) there has yet to be any particular initiative instigated for such purpose.

In relation to OTOP's implication on the number of workers involved within producer group, OTOP's most noticeable effect on the organization of large scale producers which operates with at least 50 members. On the other hand its effects on smaller producers seem to be unnoticeable and rather erratic as demonstrated in the following tables:

Table 11, Group members prior to the commencement of the OTOP in 2001:

Producer Type	> 10 members	10-29 members	30-49 members	<50 members	Total
SMEs	25 (83.3%)	4 (13.3%)	0 (0.0%)	1(3.3%)	30 (100%)
MCPs	16 (37.2%)	19 (44.2%)	6 (14.0%)	2 (4.7%)	43 (100%)
SMCEs and local cooperatives	27 (29.7%)	40 (44%)	15 (16.5%)	9 (9.9%)	91 (164%)

(Pintobtang&Kochsawat 2005)

Table12, Group members following commencement of OTOP after 2001:

Producer Type	> 10 members	10-29 members	30-49 members	<50 members	Total
SMEs	21 (67.7%)	6 (19.4%)	0 (0.0%)	4 (12.9%)	31 (100.0%)
MCPs	13 (30.2%)	18 (41.9%)	4 (9.3%)	8 (18.6%)	43 (100.0%)
SMCEs and local cooperatives	18 (19.9%)	29 (33.1%)	22 (23.5%)	22 (23.5%)	91 (100.0%)

(Pintobtang and Kochsawat 2005)

6.4) OTOP in relation to the conceptual implication of SD in

Thailand

OTOP is often claimed by the TRT government to be an initiative of unparalleled success in its ability to instigate SD in all Tambons across the country based on its impressive annual growth in sales volume with an astonishing 100% growth rate in its first year of operation from 215.5 million baht in 2001 to 22, 286 million baht in 2002 (Department of Industrial promotion, Present and Future of OTOP, viewed 9 July 2004, <<http://www.dip.go.th/Research/PreviewArticle1.asp?ArticleID=122&WebsiteID=01>>).

In 2003, the sales volume still rose with the value of 33,276 million baht, 50 % increase from 2002. However, in relation to OTOP's contribution towards CE and SD (section 6.2.3), it is only through the enabling of the community learning process through OTOP's endorsement of SMCEs and cooperatives that OTOP could claim to be an enabling mechanism of CE since there is otherwise no direct relation between the commercial transaction generated and the enabling process of a community learning process.

Despite the fact that the representation of OTOP's social implication by the NRCT 2004 report seems inadequate in relation to the multidimensional implications of OTOP on its producers (e.g. conditions within the informal sector, cultural integrity changed due to commercialization of traditional products or the implication of OTOP on unsuccessful producers etc). The report is nevertheless seen to be sufficient for the government to continuously articulate the benefits of the policy without recognition for the need to modify OTOP's operating principles or the utilization of qualitative indicators. This fact is best demonstrated in the following speech by Prime Minister Thaksin Shinawatra (16th November 2004) at Chiangmai

University: *'The success of the program has been nothing short of remarkable, and has even exceeded our initial expectations. Before the program started, sales of local products accounted for only 215 million baht in 2001. However, after the program became well established, that total rose more than one hundred fold to almost 24 billion baht in 2002, and to around 33 billion baht by the end of 2003.'*

What the One Village, One Product scheme has done is to raise the hopes, economic activities, and living standards of a large portion of our population. Despite its success, however, we must not rest on our laurels. We must continue to improve the quality and marketing of Thai products to ensure that they reach and remain at world standard. We must continue to strive for excellence so that the name of Thai goods is synonymous only with world class products. In the social dimension, the One Village, One Product initiative will literally prevent the emigration of people to large cities such as Bangkok or this beautiful city of Chiang Mai. It will provide local people with jobs and income in their own localities, thus making it unnecessary for them to leave their homes and families in search of employment elsewhere. As a result, this initiative will also keep wealth circulating within the respective communities, thereby automatically increasing the purchasing power of the people in all rural areas. By strengthening and reinforcing the grassroots sector - the backbone of our nation - we will be able to lay a more rigid foundation for the Thai economy as a whole, which will pave the way for substantial economic developments in the future.'

Rather than solely relying on OTOP's current set of indicators and its apparent inadequacies, Kuwintpant on the other hand has suggested that equal emphasis should be given to OTOP's qualitative (sociological and cultural) aspects of income generation rather than the current focus on quantitative data and amount of trade generated. Based on his research on successful OTOP community producers (SMCEs) within Phayao Province, the characteristics which are present and contributes towards a successful SMCEs are:

- The solidarity and continuity of social group (solidarity and altruism)
- Role of local leaders in propagating success of policies
- Role of women in cultural and economical aspects of the community (which is specifically relevant to the implementation of OTOP)

- The external developmental aspects of the community, such as the economic interdependency with the other communities and provincial towns as well as the extent that tourism has affected the local livelihood and culture.

According to Kuwintpant (2004), OTOP's ability to enable a suitable organizational structure should be seen as an imperative prerequisite which would enable a practical community learning process and a platform of an equitable income generation in the long run. This observation is supported by Susumu Ozaki (2004), a senior representative of the Japanese International Cooperation Agency (JICA), whom suggested a major drawback of the OTOP policy implementation to be the lack of distinction between OTOP as a Governmental scheme and OTOP as a Business endeavor. According to Ozaki, the initial OVOP project in Japan started out without any governmental support but was a self-organized initiative of the local community through the guidance and support of the local leaders and the foundation of social-solidarity. Initially emphasis was given to the building up of a solid social structure and capability building mechanism, to the extent that the groups attain (economically, culturally and environmentally) sustainable mode of income generation in accordance to the local livelihood and cultural integrity. In which it was later that the initiative received governmental recognition and was deemed suitable to be implemented at the national level (ibid). Therefore it would be plausible to state that it was the ability of the (OVOP) policy to be utilized as a platform for a continuous learning process and the highly participative determination of the local community which led to the success of the original OVOP initiative, rather than its emphasis to maximize profit without a solid social organizational structure.

Table 13, Contribution of OTOP's differentiated producers to the policy implication of sustainable development:

		Benefits generated through OTOP			
		Economic	Social/cultural	Ecological	
SMEs	Salary for employees (formal/informal)	Human resource, development and improved entrepreneurial skill	Utilization of traditional skill and knowledge for Human development	Utilization of resource but no apparent correlation to environmental protection or adequate ensurance of resource regeneration	
	Profit accumulated by owners				
	Extent of employment creation, thus reducing the need for rural migration				
SMCEs and cooperatives	Income diversification	Human resource, development and increased entrepreneurial skill	Utilization of traditional skill and knowledge for Human development		
	Shared profit, which are to be distributed or invested according to the democratic decision of group the members				Platform for social solidarity and learning process (thus community empowerment)
	Reducing the need for rural migration through a provision source of income for community members				

(Writers own creation)

In this regard the amount of commercial transaction generated or quantitative indicators employed by OTOP could by no means be seen as an adequate tool to portray the propagation of CE, particularly as long as there is no distinction between support given to SMEs and SMCEs. For these reasons there also seems to be a need for OTOP to equally utilize quantitative aspects of the policy as indicators of policy success rather than emphasis on quantitative indicators alone as according to the theoretical connotations of SD, equal emphasis should be given to qualitative aspects of the policy including the (social/environmental) equitability of trade conducted rather than the focus on maximized commercialization alone.

CHAPTER VII

COMPARATIVE ANALYSIS OF THE OPERATING PRINCIPLES OF FAIR TRADE AND OTOP

Although the OTOP has since its inception (based on its stated objectives) been portrayed as a SMCE oriented income diversification initiative, it has often been criticized as becoming an SME promotion program rather than a developmental initiative. The current strategic objective of OTOP is in the following statement elucidated by PM Thaksin: *'The first policy seeks to improve the effectiveness of SME managers and keep up with the changes in the world. The Government helps provide them with the information and data they need to be competitive in this era of knowledge-based economy. This is done by connecting micro enterprises with the creation of a new generation of entrepreneurs who have the basic ability to innovate in line with the national strategy.'*

In the second policy, the Government aims to boost the competitiveness of SMEs in the world market by building trust and brand names for Thai goods, especially those produced by SMEs that were hard hit by the financial crisis. In the third policy, it intends to resolve the financial and cash flow problems of SMEs and micro enterprises by giving them greater access to capital and by allowing them to convert their informal assets into collateral. The fourth policy involves the strengthening of grassroots enterprises, such as setting up village funds, establishing a People's Bank, and promoting local products in the OTOP program.' (OTOP Program and SME 2003, viewed 18 July 2005, <http://www.boi.go.th/german/how/press_releases_detail.asp?id=178>)

The similarities between the operation of the OTOP policy and Fair trade (crafts and commodities) related initiatives, lies in their intention as being a link between the various and diversified groups of producers across rural as well as urban areas, which are to receive technical assistance and marketing advice from the particular ATOs and its support group, or from state agencies and its related network in the case of OTOP. The thesis has chosen to use the example of Thai Craft and its producers (as briefly examined in section 5.3) as a comparison basis for the producers endorsed by the OTOP initiative due to its identical conceptual implication to

OTOP's craft related products. However, despite the similarities between the conceptual implication and strategic objective of OTOP and TC, there are vital differences in the operating principle of the two initiatives which has may result in profound contradictions in the ability of each initiative to propagate sustainable income generation and community empowerment. In the previous chapter the Thesis has attempted to point out OTOP's conceptual implication to the principles of CE and sustainable income generation. In doing so the thesis has pointed out OTOP's current lack of consideration towards the need to concentrate upon the maximization of the community learning process as well as OTOP's contempt for the socio-cultural aspects (qualitative indicators) of sustainable income generation. In the following section the thesis will attempt to conduct a comparative analysis between the operations of OTOP with that of the ThaiCraft Fair Trade Company, an organisation which operates under the principles of IFAT, in order to identify the vital differences between the operating principles of the two initiatives in relation to the instigation of CE and sustainable income generation. The 3 particular aspects to be analyzed are:

- 1.) The type of producers endorsed/type of products supported.
- 2.) The conditions under which the production occur.
- 3.) Marketing initiative and production support

7.1) Type of producers endorsed by OTOP

Based on the report of the report of Pintobtang and Kochsawat as discussed in the previous chapter, the four types of producers within OTOP are divided to the following categories:

- Genuine Community Based Producers (SMCEs)
- Small and Medium Enterprises (SMEs)
- SMEs registered as GCPs or Mock Community Producers (MCPs)
- Local Cooperatives

Producers endorsed as part of the OTOP initiative are selected through the mechanism of the TAO in compliance to the strategic objectives received from

OTOP's regional and provincial councils in a top-down basis, as demonstrated by Suehiro's comparison of Thailand's 3 political style as well as the administrative structure of the NOAC (figure 3). The TAO as a partially-decentralized structure is meant to propagate information about the policy to the most capable producers within its vicinity, as long as they are an adequate small scale producer that operates within the locality. Capable SMEs are often encouraged to register as based SMCEs despite the fact that they are privately owned and managed, in which their employees are then registered as SMCE group members. Following the induction and producers selection process by the TAO, OTOP's diverse range of producers were enabled to receive production and marketing assistance from related state agencies or public institutions through the, coordination between the TAO, OTOP provincial committees and the related state agencies accordingly.

Since its inception in 2001, the OTOP policy has claimed the endorsement of more than 47,603 products made by small scale producers from 7,255 Tambons throughout the country. Additionally, the fact that OTOP does not differentiate between SMEs and SMCEs, a large segment of OTOP products does not seem to hold any particular relation to the local culture or its environment (as briefly explored in section 4.2.1). Certain goods such as electronics and electrical parts, office supplies/stationary goods, bio-technology products, chemical and pharmaceutical products are examples of purely SME related products endorsed by OTOP which are clearly beyond the production capability of local community producers. However this fact is comprehensible, following the revelation that privately owned SMEs have been allowed to be registered as an OTOP producer (Pintobtang&Kochsawat 2004, Chayutrarat 2005). Out of all the groups surveyed by Pintobtang&Kochsawat, 43 groups (being 26.3%) of all groups registered as SMCEs were in fact were privately owned and managed SMEs despite their registration as SMCEs.

Table 14, Differentiated Organizational distinctions within the OTOP policy:

Operation Type	Number of groups	Percentage
SME producers	30	18.3%
SMEs registered as SMCEs	43	26.2%
Genuine CPGs	86	52.4%
Local Cooperatives	5	3.1%
Total	164	100%

(Pintobtang&Kochsawat 2005)

According to Pintobtang and Kochsawat as well as Chayutrarat, these MCPs have been encouraged to be registered as SMCEs due to the need of the tambon and the provincial OTOP committees to continuously increase the transaction and growth generated by the initiative. Village leaders from Chiang-sean district in Chiangrai province have commented that, the State should realize the gap between the effectiveness and capability of SME products and those of SMCEs, as it is often product of SMEs that gains support from the state in terms of promotion (such as the OPC scheme) and market distribution, partly due to their 'exportable' quality as compared to produce made by villagers which tends to be less standardized due to lack of knowledge and understanding of quality control processes or customer demand (Phothong T, president of Chiangmai micro-credit and income distribution networkgroup, viewed 21 October 2004 <http://www.thai.co/b_pnews/4613000.htm>). The fact that products produced by SMEs and MCPs generate higher commercial transaction than (thus sales statistics) is a vital reason that they tend to benefit more from OTOP than SMCEs. According to Prayukvong (2005), the management of SMEs unlike SMCEs does not lead to the accumulation of 'social capital' through means such as 'diversifying' the skills of employees or provision of informal benefits for group members in times of needs. Prayukvong also reports that social capital are in fact shattered as a result of capitalizing upon the demand of a product without proper consideration to the long term implications on the community's cultural integrity or ability of community members accumulate social capital/collective learning process.

7.2) Type of producers endorsed by the Fair trade movement

According to Beaukeaw, marketing director of TC, the organization today works with approximately 85 producers (partners) from all over the country. Out of these 53% are said to be community producer groups (SMCEs), 21% are run by individual families from within the communities (local SMEs), 19% are cooperatives while the 'Other' 6% are composed of made up of 2 hospital for disabled group, 1 refugee camp, and two groups of physically handicapped producers. A summary of

the different type of producers utilized by Thai Crafts are summarized in the tables below:

Table15, Partnership producers of TC by region: Table16, Type producers endorsed by TC:

Partership producers of Thai Craft by region	
The North East	21%
The North	20%
The South	20%
Central Thailand	19%
Bangkok Area	15%
Central East	5%

Type of producers endorsed by Thai Craft	
SMCEs	53%
Local SMEs	21%
Cooperatives	19%
Others	6%

As a part of the FTM, TC clearly recognizes the need to differentiate between the types of organization it endorsees as its partners. According to Salmon the most important aspect regarding utilizing trade as a developmental tool is the nature of the producers endorsed. *‘There are essential differences between the operation perspectives of SMCEs and SMEs, from the initial moment that they decide to produce goods for commercial purposes’.*

There are several distinct motives which differentiate the motives of community based producers such as SMCEs or SMEs according to Salmon. For community producer groups (SMCE) despite the availability of skills and resources these often start by producing their most proficient goods although they are often unaware of the level of market demand of the extent of their production capability in comparison to the market demand. The products under this notion are known as **‘product driven’** goods. *‘An entrepreneur (SMEs/MCPs) on the other hand has a common objective of making profit, would recognize an opportunity in the form of a market demand; an example is such as a designer who needs the skills of villagers to produce his designs and hires local villagers as production labour’.* According to Salmon , it has been a common scenario *‘for entrepreneurs (from outside of the communities) to travel to the rural villages in order to observe the traditional skills of the villagers which may have the potential to be sold in the market’.* The terms used for describing the goods of these SME producers is known as good which are **‘market driven’** goods as they are producing commodities which they know for certain could be sold. The entrepreneur on the other hand says I need some baskets but I don’t have some one

who could make them, there for it is the is the entrepreneur that recognizes market demand, and thus see the opportunity lying in the production skills of the villagers. These entrepreneurs are the groups categorized in Pintobtang's research as the MCP groups. TC the other hand as a member of the Fair Trade Federation (FTF) prioritizes works with producer groups that are democratically managed and collectively owned by community members, due to the fact that they are groups on their own, often lack the capability to reach out to a larger market and therefore are therefore unable to improve their capability and increase their income. Interestingly TC also works with the 16% of SME producers, as demonstrated in the table, nevertheless TC makes a point only to work with SMEs that are owned and operated by local families within the community. According to Salmon, TC also maintains strict adherence to their principle of not working with urban based SMEs that comes from outside of the community '*that employs villagers for their skills as low wage labour*'. Most importantly SMEs that TC works with are required to follow Fair Trade's regulatory standards and operating principles which would ensure the enabling of an equitable trade as the chief objective, rather than immediate maximization of profit'.

7.3) Producers endorsed: summery

Types of producers within the report of Pintobtang & Kochsawat in comparison to the producers within the Thai Craft association are as following:

SMCEs (OTOP-52.40%, Thai Craft- 53%)

SMEs (OTOP-18.30%, Thai Craft- 21%)

Cooperatives (OTOP-3.10%, Thai Craft- 19%)

MCPs (OTOP26.20%, Thai Craft- 0%)

Others (OTOP 0%, Thai Craft 6%)

However, if OTOP's MCPs are added to the producers that are openly SMEs the total amount of SMEs within OTOP would make up to an approximate 44.5% of all OTOP producers. As established in the previous chapter, it is the belief of the thesis that in order for (the sales) of locally produced goods to contribute towards the enabling of sustainable income generation while articulating social capital and the community learning process, priority of related agencies should be given primarily to the endorsement of SMCEs and cooperatives. Nevertheless, this need not mean that

support should not be given to SMEs, as SMEs if belonging to the local community and is operating under particular conditions which guarantees the enabling of adequate conditions of production would also have the potential to become an enabling mechanism of equitable income generation, rather than being a mechanism to generate local employment or increased trade of locally produced goods alone. Interestingly, when inquired whether any of TC's producers have participated with the OTOP's initiative, Beukeaw stated that there were a number of TC producers whom were asked by the TAO to become a local OTOP producer, although all of these producers chose to remain as part of TC of which they see to be a stable market based on long-term partnership between the producers and the organization. The list of TC's partner that have also joined the OTOP initiative is given in the table below:

Table 17, List of TC partners that have become part of the OTOP initiative:

	Producers	Product	Province
1	Aranyik Stainless Steel	stainless steel cutlery	Ayutthaya
2	Padang Coconut	Coconut shell products: Spins, bowls, other accessories.	Songkla
3	Doai Tao	Natural dyed cloth, pillow case etc	Chiangmai
4	Kiriwong Crafts	Natural tied dyed	Nakon Sridhamarat
5	Rayong Basket	Cra-joot (bulrush) basket weavers, mats	Rayong
6	Chainat Basket	Water hyacinth basket	Chainat
7	U thong Quilts	Quilt, pillow case, blankets	Chainat
8	Tao Luang Pottery	Clay plates, cups n saucer, mug bowl	Chiangmai
9	Saraburee Crafts	Plastic basket, bags etc	Saraburee

Buekeaw's explanation confirms the points raised by Pintobtang and Chayutrarat, the a large number of successful OTOP producers have joined the initiative (despite of organizational structure) due to the need of the TAO to find suitable producers to join the OPC scheme, despite the fact that production has been

in process long before the existence of the OTOP initiative. Table 17 also reveals that it is possible to combine the principles of Fair Trade within the frame work of OTOP's initiatives, never the less it is the belief of the thesis that due to the differences in the organizational structure, its contribution towards the enabling of the community learning process and sustainable income generation, OTOP should differentiate its support of varied types of producers groups being:

- SMCEs
- Cooperatives
- SMEs and MCPs

7.4) Conditions under which production occurs: OTOP

7.4.1) The nature of the organization

OTOP's multitude number of producers and their differentiated organizational structures, are the first obstacle obvious in the attempt to evaluate the conditions under which production occur within the OTOP initiative. While SMCEs or SMEs/MCPs are the major type of producers endorsed by OTOP their sector is also characterized by inadequate means of labour rights and un-standardized production facilities. There are said to be around 590,000 home workers in Thailand, a large number of which are likely to be involved with the OTOP initiative, either as member of cooperative or SMCEs whom participate in production as an income diversification initiative or as employees of the various SMEs within the policy. In Thailand (as well as in most developing nations) risk of health and safety hazards and poor working conditions and lack of rules or labour rights in general are known to be a common characteristic of work in the informal sector, as briefly explored in section 6.1.1, this is partly due to the lack of enforcement mechanism in part of the nation's related health and safety regulations, as well as the remote and disaggregated nature of the work places. Payment below the local minimal standard as means for owners to cut cost and increase profit is also an integral characteristic of the informal. This is particularly true in the case of SME workers, whom unlike members of cooperatives do not have a say in the production or managerial processes. Socio-economic factors such as large supply of labor with limited availability of employment, as well as the

lack of enforcing mechanism for workers rights due to the disaggregate nature of workplaces within the informal sector are also pivotal factors which needs to be taken into consideration in by the States income diversification and employment creation initiative. OTOP despite being a major initiative of the government, at present has no established principle as to the internal operating conducts of its extensive number of producers.

According to Thailand's International Labour Information, in referring to working in the informal workplaces *'they face safety and health hazards through lack of knowledge or poor working conditions. Some get ill from toxic chemical, dust particles, or from sitting or working in inappropriate positions for long period'* (International Labour Organization, Safety and Health for home workers to be reviewed, viewed 24 October, 2004, [Http://www.ilo.org/public/english/region/astro/bangkok/public/releaases/yr2004/pr04_39.htm](http://www.ilo.org/public/english/region/astro/bangkok/public/releaases/yr2004/pr04_39.htm)).

It was only in 2005, four years after the commencement of the program that a Health Impact Assessment Report was initiated. The HIA of One Tambon and One Product (OTOP) Policy: Local weaving industry in Northeast of Thailand is currently being investigated by Assist Prof. Kedsarawan Ninwarangkoon on behalf of the Research and Development Program on Health of Public Policy and Health Impact Assessment or the HPP-HIA (Research and Development Program on Health of Public Policy and Health Impact Assessment viewed 9 August 2005 <http://www.hpp-hia.or.th/research_list_en.htm>).

7.4.2) OTOP production and ecological sustainability

The Thaksin governments of 2001-2006 apart from being known as Thailand's most overtly neo-liberalistic government, could also be viewed as a government with the worst ecological and human rights abuses according to a New Zealand environmental watch group: *'In Thailand, threats to the environment have increased with the election of pro-free trade Prime Minister Thaksin Shinawatra in 2001. Thaksin has personally intervened four times to override environmental regulations (and even the advice of the Human Rights Commission) in order to ensure the construction and maximum operation of four environmentally and socially*

damaging energy projects. In July 2004, he called for a cull of protected wild birds, claiming that they (rather than unhealthy battery farming practices and lax safety standards) were responsible for spreading lethal bird flu in Thailand' (Donald R, 2004, *JustTrade#52*, The Thailand New Zealand Free Trade Agreement, viewed 20 August 2004 <<http://www.greens.org.nz/searchdocs/other7776.html>>).

In relation to OTOP and its potential policy implications on ecological sustainability, there is again the need to recognize a major characteristic of the informal economy being their lack of standardized production methods which are often deemed to be an unnecessary or unproductive by large number of rural based producers. To date there exist no particular report which has focused on the potential ecological implications of OTOP production or the ability of producers to ensure an adequate regeneration of natural resources utilized as factors of production within the scheme despite the relatively large number of OTOP producers throughout the nation. According to the members of the NRTC interviewed, OTOP at current does not advance any particular sets of standards or regulations to ensure a minimized impact of production on the local ecological system, the reason given being the '*relatively small scale production of OTOP which were unlikely to cause ecological implications within the locality*'.

Another imperative issue relating to OTOP's policy implication to the ecological system, is the issue relating to the need to ensure an adequate re-generation rate of resources. As producers are encouraged to utilize local natural resources, a large number of OTOP products were initially 'Product Based' goods which were intended for local usage, and thus invariably had no notable affect on ecological limitations. However, with the commercialization of products, there would be a great need for related agencies to ensure that producers do not exceed or destroy the carrying (regeneration) capacity of local resources, which would have an adverse affect on the future generation, due to potentially 'unsustainable practices' of the present generation.

7.5) Conditions under which production occurs: Fair trade

The Simplified duty of FT organizations prior to the induction of producers is the assessment of probability of market opportunities of producers, followed by the

mutual decision and agreed operating condition between the SMCEs and the FT organization in relation to the extent to which products should be altered or how should it be altered in ways which would not (or least) affect the culture of the community. Since the issue of equitable income generation and social responsibility is deemed to be the primary objective of the Fair Trade movement, once a FairTrade organization has decided to work with a producer, being SMCEs or local SMEs, the relationship is to be fostered on a long-term basis in which both parties must agree adhere to a strict set of principles being:

Joint commitment between the producer and the ATO in setting the guidelines for their operating principles, these in North America are:

- Paying a fair wage in the local context
- Offering equitable employment opportunities (necessary for SMEs endorsed)
- Providing healthy and safe working conditions
- Engaging in environmentally sustainable practices
- Monitoring and improving product quality
- Honoring cultural identity as a stimulus for product development
- Building long-term trade relationships and being open to public accountability

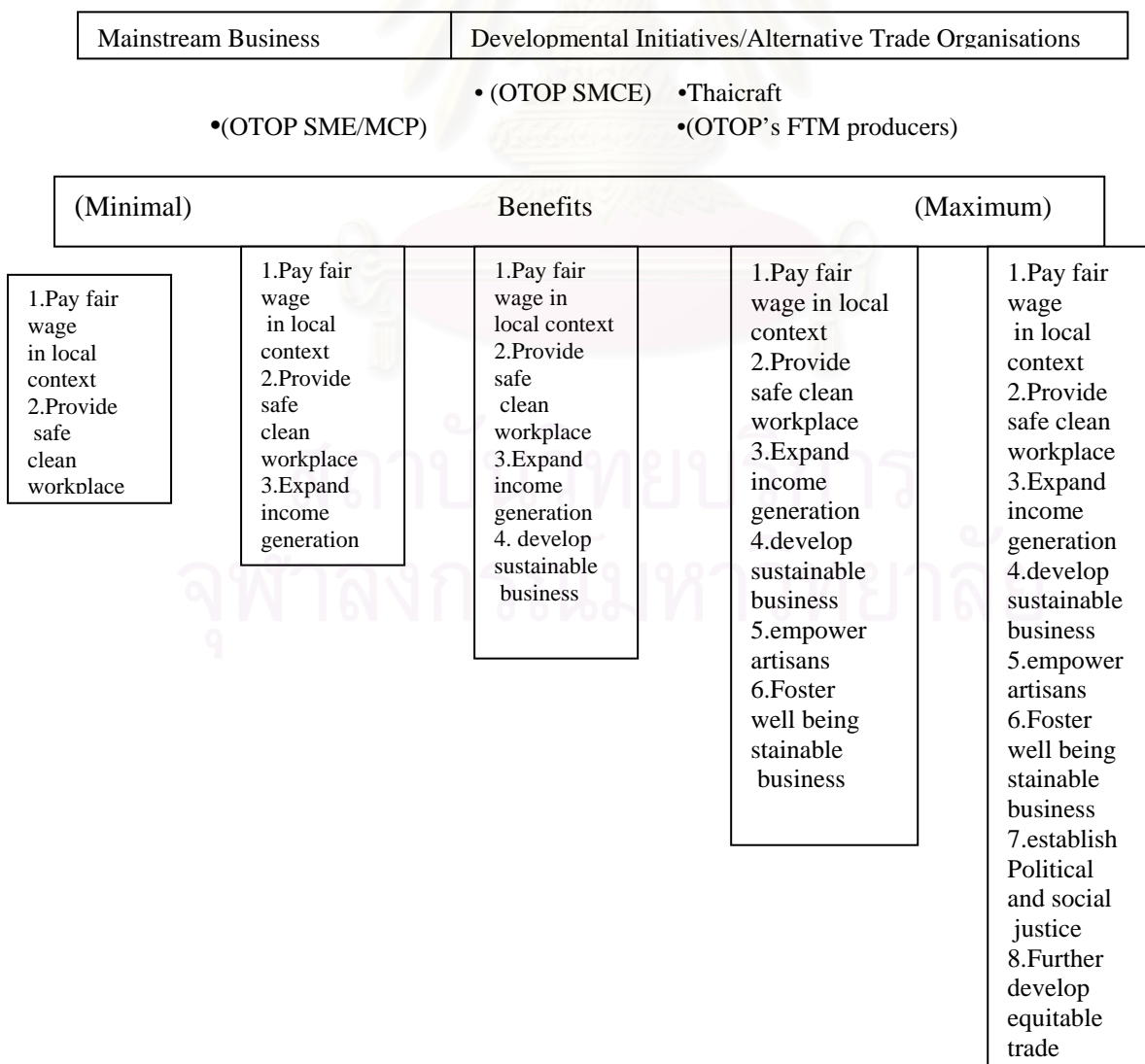
It is the firm belief of the Fair Trade that it is only through the endorsement of these set of principles that the utilization of the market (thus Trade) could lead to a Human Centered Development. However, in order to ensure that the standardized operating principles of Fair trade are adhered to by FTM organization, the assessment and inspection of these principles are meant to be instigated through the coordination between the FTM organization, its partner producers as well as its customers. Additionally, it is only through the ability of the FTM organization and its producers to adhere to the principles of Fair trade that the organization and its producers would be granted the usage of the Fair trade label by the FLO.

As examined in chapter 5, while an ATO may be both a non-profit or for-profit organizations, emphasis is always geared towards the producer's needs (Product

Based) rather than the demands of the consumers (Market Based). Mainstream retailers on the other hand often return the least possible transaction to the producers (often due to multilayered middleman intermediaries), while not necessarily adhering to these set principles due to lack of any apparent motivation for adopting these principles. Additionally, in order to ensure an equitable process of production and sustainable utilization of resources, the inspection of TC's condition of production is meant to be reviewed by all actors involved within the production to sales, including the producers, as well as customers in areas such as transparency of trade conducted, working conditions, fair price or impact on the environment. A table of the FLO's inspection chain to ensure equitable trade is given in appendices C.

7.6) Conditions under which production occurs: summary

Figure 5, Relationship of Mainstream Businesses and ATOs to Fair trade practices (based on the original figure by Dickson 2000):



Although it is impossible to clarify the conditions under which production occur for all OTOP producers, due to the large number of producers involved, as well as their lack of standardized operating principles, it is essential to keep in mind that the employment/income generated within OTOP are based on rates/standards of the informal sector of the economy. Without any central regulation/factors which are to guarantee the enabling mechanism of equitable trade, OTOP's SME producers have been positioned at a rather low scale in its adherence to the principles of equitable trade although this is not necessarily true for all of OTOP's SME producers, it is a likely tendency based on OTOP's current trend. Despite OTOP's stated strategic objective, the policy does not employ standardized and centrally enforced operating principles which would allow its producers to systematically contribute towards the enabling of equitable trade and the CE. In the case of TC and the FTM, strict adherence to the operating principles of the organization are seen to be the most important aspect of production, even more so than the need to maximize profits or the need to portray an ever increasing sales statistics as in the case of OTOP's current strategic objective.

7.7) Ways in which products are marketed: OTOP

As in the case of mainstream commodities, the marketability of each OTOP products depends on the wide variance of producer's capability to adopt and alter its production processes, in accordance to the constantly changing market demand. For this reason marketing knowledge provided for (inexperienced) OTOP producers by related agencies such as the NOAC or the Ministry of Commerce or the Ministry of Agriculture and Cooperatives, in which producers are to learn the 4 Ps, known to be the key concept of marketing being:

Product, which includes packaging design, branding, trademarks, warranties, guarantees, product life cycles and new product development

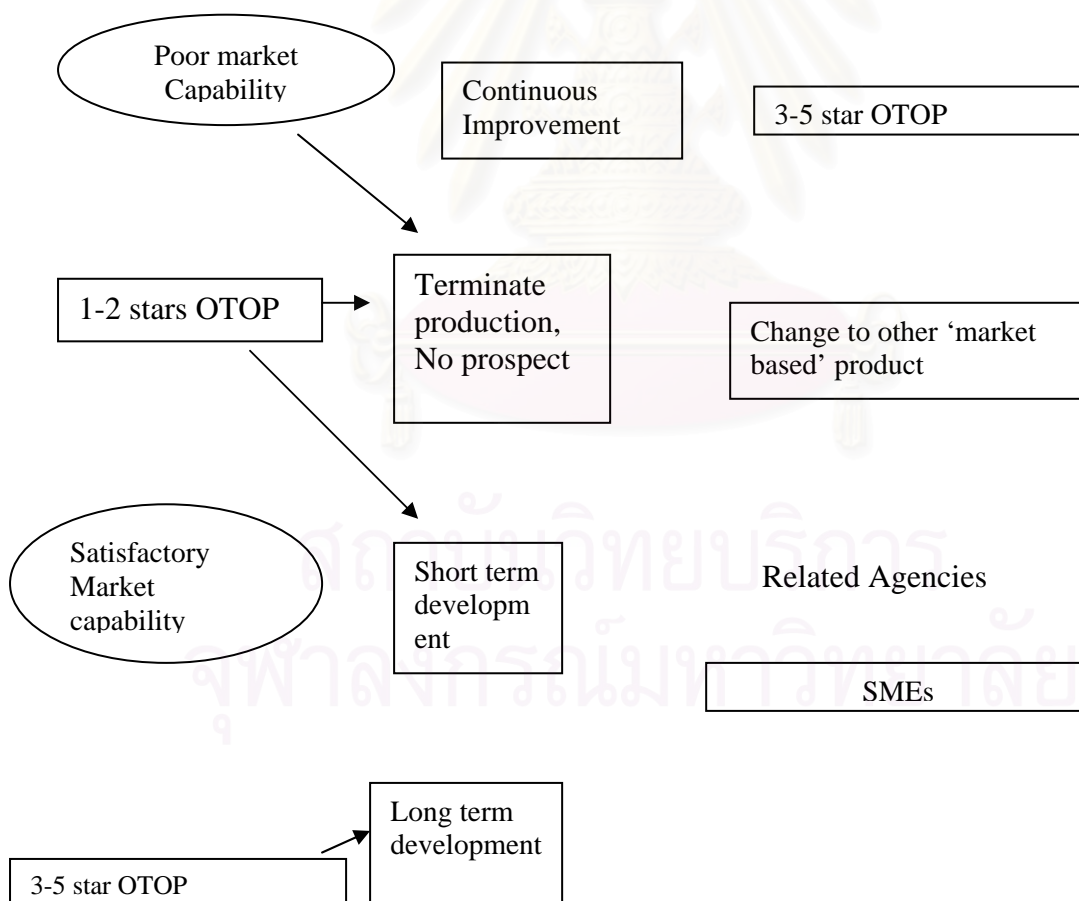
Price, which is setting profitable and justifiable prices

Place, which covers the physical distribution of goods

Promotion, which encompasses personal selling, advertising and sales promotion

According to the NRTC report (2004) if OTOP producers are still unable to improve sales or product standards, it is recommended that producers terminate production of current products and switch to more marketable goods through the assistance of local support networks provided by the NOAC and coordinated through regional OTOP sub committees and the TAO as demonstrated in Figure 5 in the following page. Groups which are considered to have satisfactory markets capability on the other hand are to undergo short term as well as long term improvement in production and marketing capability with the objective of transforming its operation in to a efficient SME mode of operation (despite of producer type or conditions under which production occurs).

Figure 6, OTOP's producer market development model (NRTC, 2004):



Thus while governmental agencies are meant to continuously propagate the marketability of OTOP products to internal and external markets, OTOP producers, regardless of organizational structure are meant utilize the Integrated Market Production (IMP) approach in order to compete in a neo-liberal market. This is to be achieved through the support of governmental agencies such as Department of Export Promotion, Community Development Department in coordination with local institutions or appropriate SMEs within the province as examined in the following section.

7.7.1) Marketing and market expansion initiatives of OTOP

Continuous effort has been initiated since the inception of OTOP in 2001 by the government in the setting up of OTOP retail stores and trade-fairs at the provincial, regional and international (export) level largely through the support of the Department of Export Promotion (DEP). Examples of major OTOP related promotional fair that has been held during the past few years are such as:

1.) Thaifex & Halfex & World of Food, featuring OTOP Food & Beverages.

Venue: Impact Muang Thong Thani, Date: May 26 – 30, 2004

2.) BOI-SME-OTOP Fair

This event is organized by the Ministry of Industry and Board of Investment, which will display products made in Thailand from heavy industries, small & medium enterprises (SMEs) and village communities (OTOP).

Venue: Impact Arena Muang Thong Thani, Date: June 11 – 20, 2004.

3.) Thailand Health & Beauty Show, this fair features upon OTOP Health & Beauty (personal care) products.

Venue: BITEC, Date: September 22 – 26, 2004.

4.) Bangkok International Gift (BIG Oct 2004) Show, featuring an OTOP Trade Fair of general products.

Venue: Impact Muang Thong Thani, Date: October 28 – November 2, 2004.

5.) OTOP City 2004, organized by the Interior Ministry's Department of

Community Development.

Venue: Impact Arena Muang Thong Thani, Date: December 18 – 26, 2004.

6.) Bangkok International Fashion Fair (BIFF), features Textiles, Garments and General Products.

Venue: BITEC, Date: January 2005.

7.) Bangkok International Furniture Fair (TIFF), features Furniture & Household Items.

Venue: BITEC, Date: March 2005.

(Leister, J 2004, OTOP Hand crafted products of Thailand's village communities, viewed 25 April 2005, <

<http://www.tatnews.org/common/print.asp?id=2178>>)

Among the largest OTOP related fair is the 'OTOP City' held annually from 2003. These fairs could generally be viewed as part of the attempt to expand the market channels of OTOP products by related state agencies through the 'matching' of the (local and foreign) demands with the supply from OTOP's extremely large number of capable producers that are looking for expansion into new markets. For producers with less export potential, attempts have been made to create local retail outlets or the inclusion of OTOP products into corners of shopping malls or supermarkets, such as Tops (Top leads the way in supporting OTOP, viewed March 2006 < http://www.tops.co.th/old_news19.html#top>).

However, despite all the effort to continuously increase OTOP's retail space and to strengthen the demand of its products, the extent to which OTOP has been able to increase the sales for its member producers remains ambiguous. Among the vital research which reflects the exact implication which OTOP has had on its producers is the following section (table 18 and table 19) from the research of Pintobtang&Kochsawat. In this regard, table 18 is the representation of the sales from the 164 OTOP producers involved in the research and the level of their annual income prior to their induction into OTOP, while table 19 represents the Post-OTOP sales figures:

Table 18, Pre-OTOP sales of different organizational types:

Producer Type	Unit/%				Total
	A Less than 100,000 Baht	B 100,001 – 500,000 Baht	C 500,001 - 1,000,000 Baht	D Higher than 1,000,000 Baht	
SMEs	17.4	26.1	13	43.5	100
MCPs	16.2	35.1	18.9	29.7	100
SMCEs and Cooperatives	25	52.6	12.8	9	100

(Pintobtang&Kochsawat 2004)

Table 19, Post-OTOP sales of different organizational types:

Producer Type	Unit/%				Total
	A Less than 100,000 Baht	B 100,001 – 500,000 Baht	C 500,001 - 1,000,000 Baht	D Higher than 1,000,000 Baht	
SMEs	4.3 (-13.1)	30.4 (-4.3)	17.4 (+4.4)	47.2 (+3.7)	100
MCPs	10.2 (-6)	35.1(same)	10.2 (+8.7)	43.2(+13.5)	100
SMCEs and Cooperatives	17.9 (-7.1)	60.3 (+7.7)	14.1 (+1.3)	7.7 (-1.3)	100

(Pintobtang&Kochsawat 2004)

According to the data in table 19, it is interesting to note that the beneficiaries with largest increase in sales are the MPCs with 8.7% increase in the C category and a 13.5% increase for producers in the D category (income higher than 1,000,000 Baht). SMCEs and cooperatives seem to be the second major beneficiaries with a 7.7% of producers procuring sales of more than 100,000 Baht, followed by a 1.3% of producers gaining entry in to the Category C (500,001-1,000,000 Baht) sales range. However, the improvement in sales of SMCEs and cooperatives seems rather minute in comparison to the sales range and benefits gained by MCPs, which confirms that MCPs (viewed as SMCE by the market) seems to be the major beneficiary of OTOP. As for the SMEs within OTOP, a large number seems to have experienced increase in sales which led to the decrease in the number of category A and B SME producers,

where as there is a clear mark up for SME producers that have moved into the C and D category. There is a need to keep in mind however that these SME producers were largely in operation prior to becoming a part of OTOP.

Additionally, based on the research of Srisantisuk (2005), on the condition of 97 SMCE producers (excluding SMEs) of personal care products from 35 provinces, 29.7% of producers are reported to have been experiencing a decline in the sales of their product despite joining the OTOP initiative. Another 8.1% of producers from Srisantisuk's research have reportedly been experiencing a decline in the sales of their product, thus revealing that on average nearly 40% ($29.8\%+8.1\%=37.9\%$) of SMCE producers are experiencing little growth or even decline in sales, despite becoming part of the OTOP initiative.

7.7.2) Alteration of production process within OTOP producers

Additionally, there are no specific guiding principles in relation to the extent that traditional production methods should be altered by more efficient production techniques, in order to appease the demands of the market. The marketability of OTOP products are greatly differentiated among its producers, with differing levels of marketing knowledge. Generally however, SME producers tend to have better understanding of marketing knowledge or the fluctuations of market demand, prior to their initial investment and production activities. For SMCE, the level of market access and ability to respond to market fluctuations depends largely on factors such as collective experience of group or leadership of group as demonstrated by Kuwintpant (2004). Certain SMCE producers have the capability to achieve continuous sales while adhering to traditional means of production with no need to alter their methods, these are products which are extremely unique in their value, for the local as well as foreign market. Examples of these products within OTOP being Benjarong products, Aranyik blade and steel products, certain leather products or fabric producers that utilizes unique natural dyeing techniques (such as with mud or other traditional materials rather than chemicals) (Pintobtang&Kochsawat, 2004). These are generally goods that are 'product based' having unique history and background which are generally appreciated and desired by the market.

Throughout the inception of OTOP, the strategy to be adopted by unsuccessful local

producers (being SMCEs) that have become a part of OTOP with little competitive advantages (beyond their local market) or marketing knowledge, is for them to abandon the traditional craft production methods and instead to produce whatever goods that has better potential in with the external market demand. According to a anonymous staff of the NRCT *“It is the duty of related agencies to assist inexperienced producers in the conceptualization of their objective. In doing so, it has always been the basis idea of OTOP to propagate the usage of local resources of local cultural patterns, such as indigenous knowledge on agriculture goods or folk medicine, which could be turned into a potential strength for each producer. Thus OTOP is not only meant to propagate the usage of local knowledge, it also encourages local participation in the developmental process. In doing so, state agencies are not only there to provide them with marketing advice/knowledge but also to facilitate the ability of producers in logistical issues as well as the net working with other producers”*. This path of market commercialization is also suggested as the strategy directed by the NOAC (as well as the 2004 OTOP assessment report) according to the staffs of the NRCT, *‘The correlation of business performance can be very useful in assessing whether a particular product will be met with success in the wider market, however since most of the 1-3 star OPC producers tend to lack marketing knowledge due to relatively low marketing experience, it is more viable for these producers to follow the demand of the market based on outside guidance, before they are able to apprehend and develop their own business strategy. However, please keep in mind that state agencies do not dictate to them what they should sell or how they should produce their goods, our aim is only to make them adapt to the nature of the market’*.

Whether or not this attempt to transform local (SMCE) producers into market-based (SME-like) producers would turn out to become an instigator of culturally detrimental production practices is an issue which has yet to be fully contemplated by related agencies, as according to the NRTC staff *‘Economic indicators alone are currently used to measure the success of the policy in a business like manner, in the assessment of OTOP there has yet to be any formulation of other (social) indicators’*. *‘As the potential ecological implications of OTOP has yet to received full consideration from the government, the consideration of OTOP’s marketing strategy in relation to the transformation in local livelihood has yet to emerge as an essential issue, as the current focus is to create income for local producers, as*

since the cultural implications are seen to be minor in comparison to the ability of villagers to earn a living’.

7.8) Current market and marketability of TC products

In terms of sales of products by TC’s Fair trade partners in Thailand, according to Salmon, TC is the main market outlet for most of its partner producers, for certain producers sales also occur within the local/regional crafts market (as well as in OTOP fairs for certain producers as demonstrated in table 17), as well as with TC producers that are not part of OTOP. However, much of the sales derive from the weekly TC sales of products are also made according to the order which TC sends to its partner producers for domestic as well as the export market (in the case of the most capable producers). However, according to the principles of Fair trade, the profits generated by TC partner producers, are accumulated and distributed among the producers themselves, and the extent of which producers wish to create their own market outlet is dependent upon the collective decision of the group, as in the case of Sopmoi arts, as illustrated in section 5.3.1. For this reason according to Beukeaw, the main marketing-related area that TC provides for all its producers lies in the area of

- Moderated product modification
- Product pricing

Despite the unique products or specialized skills latent in rural areas, the limited information of outsiders tastes or knowledge on the fluctuations of the market in general are obstacles through the achievement of constant sales for SMCEs. There is a high possibility of the SMCEs, despite investment in factors of production and raw materials finding themselves facing a circumstance with product oversupply with no tangible market-demand. According to Beukeaw:

‘Without Market guidance from outsiders who can serve as culture brokers between the worlds of producers and consumers, groups end up producing items that may have had minimal past success or hold little future promise. Bottle necks from an oversupply of products with little marketability frequently occur’.

For this reason, there is often a need for TC partner producers to alter the traditional products through the alteration of production methods or designs through consultation with TC, to meet with the differentiated nature of outside aesthetics or

fashion. The extent however, to which producers may alter their product design is greatly varied among ATOs as for certain ATOs there is a strong belief that *'encouraging artisans to modify their products to meet customer preferences is viewed as neocolonial infringement by outsiders on local craft traditions'* (ibid). Others ATOs often employ the specialty of 'Cultural-Brokers', to assist them in the transformation of local producers to become more capable in adapting traditional skills to the urban or western markets. SMEs which hire local producers (as well as OTOP's MCPs) with their profit oriented nature on the other hand are fundamentally indifferent in their view of adjusting the production process to suit market demand as less emphasis is given to the preservation of traditional production methods, or the enabling of producers to apprehend market demand in accordance to their own production ability.

7.8.1) Ways in which products are marketed: Fair trade

Since consumer understanding of the producer and their background information are seen to be the most important marketing strength of Fair Trade goods. According to the 'ThaiCraft Fair Trade self assessment against the standard for Fair Trade Organization 2006', Fair Trade craft-products in Thailand are at current most popular among expatriates (particularly Japanese expatriates in Thailand). Local customers on the other hand, (2005) have a vague idea about the concept of Fair trade or the differences between Fair Trade products and non Fair trade crafts products, yet despite the relatively small percentage of sales they makeup at present according to Beaukeaw *'local customers are a growing and potentially stable market as well as the fact that it is desired by us that locals become aware of Fair trade's conception'*. As the two primary objectives for the marketing of TC are:

- A.) To raise awareness of the local market through continuous education of customers regarding the conception of Fair Trade, through means such as leaflets, posters which explains their production the condition of living of the producers as well as the benefits generated by Consumers through their support of Fair Trade's ethical products.

- B.) Promote the continuation of traditional skills, with the main objective being transparency and accountability in order for consumers to appreciate the producers way of working

According to Beaukeaw:

Since Fair Trade organizations are meant to work with their producers in a long-term relationship, we're willing to spend the extra time, the extra effort to work with the group, as the group Thai-Craft works with are certainly not the urban based-SME groups but rather the community groups which Thai-Craft feels have a potential of actually adapting themselves, or for Thai-Craft to be able to explain to the public about that group and for them to become interested in it. So it largely depends on whether or not the community groups can adapt, which would be impossible if you give them the skills or the knowledge'.

Fair trade's principal means of fostering customer awareness is through the gradual process of 'Customer Education' or the process of transforming consumers into a 'Socially Responsible Customer', the rational belief behind this view is expressed by Tanaka Yu of the Mirai Bank in Japan, an advocator of Fair trade practices, in relation to the need for consumers to realize the long-term benefits of Fair Trade: *'You don't need to believe that everyone will suddenly become hugely altruistic, or that "We" will win in some great struggle which lies ahead. I believe it will simply be a case of rendering current business and government ineffective, which will lead to the development of a new type of society. If free trade doesn't deliver happiness, then people will have to start to search for an alternative path. Fair Trade is one of these paths. For if society chooses "Fair" then unfair so called "Free trade" will lose all meaning. And if Fair Trade is delivering products which not only match the buyer's desire to buy fairly, but also which the buyer is happy to choose to brighten up their lives, then it is sure to be effective in neutralizing and bypassing greedy and cruel corporate behavior. What we as citizens must do is to make available the option to neutralize, and make that option attractive'.* (Yu, T, 2001, Invisible cost from Free Trade to Fair Trade, Voices of Fair Trade, Global village publication, Japan.)

As socially responsible customers have prior understanding of production circumstances in the developing world (e.g. characteristics of the informal economy,

income structure of rural livelihood) and are thus willing to pay a slightly higher prices (in comparison to normal retail products). However, within the Fair trade market the equitability of trade conducted is of equal importance to the to the high expectation of quality which is known to be an expectation of Fair trade customers (Litterel, Dickson 2000, page 249).

7.9) Marketing strategies of the two initiatives summary

Based on the marketing strategy of the two initiatives, it is interesting to note that both OTOP and Fair trade states their objective to be the enabling of 'sustainable' income generation for its varied producers through gradual education of their producers on marketing knowledge/IMS approach which is meant to enable producers to become self sufficient in the long run. However, due to OTOP's unrestraint support for the transformations of (SMCE) producers into SME like operators as well as the alteration of products in order to suit market demand. OTOP's current marketing strategy may turn out to be culturally detrimental due to its emphasis on profit-oriented production processes, which despite its ability to generate an extent of income for the employees or groups members should be recognized as a potentially harmful infringement on the ability of community members to retain their traditional livelihood. This is particularly true in the case of SMEs and MCPs, as the organizational structure of these producers, does not allow any participatory process from the community, nor does it give them the right to decide upon the extent to which their local crafts are to be modified.

7.9.1) Expansion of market channels

In the attempt of the OTOP policy to maximize the sales of its products, each producer has been advised either to differentiate their product as much as possible then create their own marketing strategies through knowledge provided by the related (state as well as local) support network such as local institutions or successful SMEs. However, this strategy seems to be improbable for many of OTOP's less capable (1-3 stars) producers, with limited practical knowledge or products which are not suitable beyond local markets due to lack of standardization or competitive advantage. According to Pintobtang and Kochsawat (2004) the most successful producers are often those that were in operation prior to the

commencement of the OTOP policy, as well as the fact that they tend to be well managed and privately owned producers. However for the less successful produces, a common problem with producers joining OTOP is said to be the lack of market demand after product launch which has ended up damaging the producers whom then becomes responsible for the debt procured in order to improve production efficiency. According to Beaukeaw's comment on the provision of community producer groups with market knowledge and product standardization:

'It takes a huge amount of work and many years, to enable groups to work to that kind of (high quality) standard, we have been working for years and we are still having problems with many of them and these processes. The problems we have in doing our work, is not actually finding new orders but rather getting the orders produced as they should be, in the right time, right quality right way. If we can get the production aspect from the villagers solved and working well, the orders will come. So the problem is basically in the production capacities, and it is questionable how much OTOP is working with the grassroots level actually helping groups to develop as production units, but it seems very little in comparison with what their doing in promoting their products in the market. However, it's no good in promoting products to the market and giving them new markets if you haven't really got the products ready, which will be the likely case for genuine community producers due to the lack of production capability or lack of judgment for market demand. Therefore there is fist a need for villagers to be able to produce the products in the right quality and acceptable standard before you can actually sell them, so it is unrealistic to expect it to happen overnight'.

Thus despite OTOP's continuous effort (through the collaboration of related agencies) to increase the market channels for OTOP product, through continuous creation of new OTOP outlets and regional as well as provincial OTOP fairs, it does not seem that OTOP at current is attempting to address the problems faced by its less capable SMCE producers, where as its current marketing strategy seems to be geared towards the support of its MCP and SME producer groups as suggested in table 19.

TC on the other hand due to its relative size and the marketing strategy of the FTM as discussed in the previous chapter, invests much effort in to familiarizing its growing customer base with the background and nature of its producers and their products. This is also partly due to the fact that TC's weekly sales provides adequate orders from its partner producers in a way which enables them to acts as a reliable source of

income for its producers, while the need to increase of retail spaces or rapid market expansion is not seen as an immediate constraint.

7.9.2) Alteration of production process and producer transformation

Apart from the continuous effort to increase market channels for OTOP products, another objective of OTOP's current marketing scheme is to transform producers into market based 'Smart-OTOP' (SME-like) operations, despite the vastly different market orientation and production capabilities of its wide range of producers. Essentially, OTOP attempt to propagate the neo-liberal notion of 4-P marketing knowledge to all its producers. However, it is well known among the ATO community that the attempt to maximize sales of goods as a primary objective of an initiative inevitably leads to the rapid cultural erosion of the community and its livelihood.

Therefore in recognition of this threat to the cultural sustainability of trade on local producers, according to Beukeaw, rather than encouraging producers to maximize their sales through the IMS approach alone, TC partners should gradually be educated in order that the group is eventually able to apprehend market demand on their own, while better understanding the preference and demand of the market without abandoning traditional production methods. Since it is generally deemed culturally unsustainable to turn 'Product based' producers into 'Market based' producers, TC firmly believes that producers must be able to decide upon the alteration of products based on adequate understanding of market demand and its impact on cultural characteristics of the local community. Most importantly, according to Salmon the production support process should work on a consultation basis (with the active participants from the producers and from TC) and must be complementary with continuous customer education, in order to generate a sustainable channel income generation in the long run.

The table in the following page attempt to summarize the current marketing strategy of the two initiatives:

Table 20: Marketing strategy of OTOP and Fair Trade

	OTOP	Fair Trade/Thai Crafts
Marketing Strategy	<p>Integrated Marketing Production (4 Ps), Sales maximization is ultimate objective. To be achieved through the matching of supply and demand for capable producers, and continuous increase of regional OTOP outlets. OPC used as means to instigate competition within OTOP producers.</p>	<p>Customer Education is key Main target for the growth in 'Ethical Consumers' rather than sales maximization alone. Making customers know about the Product's background and condition of producers seen to be key.</p>
	<p>Switch from 'Product based' goods to 'Market based' goods Less capable producers are to switch product or production methods in order to achieve continuous sales. Traditional skills seen to be useful as long as market exists, but can be compromised in accordance to demand of the market.</p>	<p>Moderated Product Alteration Goods are to be product based and consultation on alteration of production methods, and quality standardization to achieve more market access. Preservation of traditional skills seen as competitive advantage and imperative part of production process. Consultation also given for appropriate pricing of goods.</p>

(Writer's own creation)

7.10) Comparative Analysis Conclusion

7.10.1) Types of producers endorsed

Due to the differentiated nature of the various producer types as well as their developmental implication, there is a clear need for OTOP as a developmental initiative to recognize the differentiated contributions which SMCEs/cooperatives have towards the enabling of the community learning process as opposed to the benefits generated through the activities of SMEs and MCPs. As SMCEs and Cooperatives are collectively owned and democratically managed, they thus provide a solid platform for an enabling of the community learning process.

Income created through SMEs and MCPs on the other hand, despite of their (potentially) higher sales volume (due to better understanding of the market demand

and of marketing knowledge) could not be considered as success in terms of contribution towards community empowerment, as the local community only benefits from these producers in the forms of:

- 1.) Employment/income generated for the workers within the informal economy
- 2.) Increased level of commercialization in the community from other aspects involved in factors of production (transportation, raw material etc)
- 3.) Increased profit for owners of SMCEs and MCPs although they may not necessarily be from to the locality
- 4.) The utilization and preservation of local knowledge and resources, which will be valued as long as they are still demanded by the market.

In this regard, through OTOP's emphasis on SME promotion, local resources and knowledge rather than being utilized by the community according to their own ideals, will be increasingly capitalized as value added commodities, which are to be utilized and managed according to the demands of the market.

7.10.2) Conditions under which production occurs

Despite the fact that much of OTOP's operation lies within the realm of the Informal economy, OTOP at current does not recognize the need to implement regulations which could guarantee the basic rights of workers such as adequate working conditions, gender equity, or payment of a fair price for producers or employees. Additionally in a program involving as many producers as OTOP, it is difficult to assess the overall conditions due to the highly differentiated products and production circumstances within the program.

Ecologically, at current there is a lack of specific emphasis on behalf of OTOP to encourage its producers with regards to the awareness of ecologically friendly production process or the need to ensure an adequate regeneration of resources which would not affect the rights and the ability of the future generation to utilize the same resources.

7.10.3) Marketing

Based upon OTOP's current strategic objective of maximizing sales, the marketing of OTOP products has received considerable attention from the government with current emphasis on matching internal (as well as export) demand with local supplies. It the belief of the thesis that OTOP's current marketing strategy

which lacks the consideration on the potential policy implication on the community's cultural heritage (traditional livelihood), is largely due to OTOP's overtly market based outlook. OTOP's current marketing approach and attempt to continuously expand its retail base is essentially due to the government's belief that the major problem of OTOP producers is the lack of market access and retail outlets for OTOP products. In this regard, OTOP's advice to its less successful (1-3 stars products under the OPC scheme) producers are for them to alter their products in accordance to market demand, regardless of potential implication of (shift in the production methods) on cultural traditions of the community. Additionally, the preference for the support of SMEs over those of SMCEs on the basis of their capability (due to OTOP's current strategic objective) does not prevent the erosion of cultural traditions, as product commercializing calls for greater volumes of production and the erosion of traditional skills and knowledge due to the attempt to cut cost and increased efficiency.



สถาบันวิทยบริการ
จุฬาลงกรณ์มหาวิทยาลัย

CHAPTER VIII

CONCLUSION AND RECCOMENDATION

8.1) OTOP's conceptual implication in relation to SD and CE

The OTOP policy has since its inception been portrayed by the TRT government as an enabling mechanism of SD through its claim of income generation and community empowerment at the tambon level throughout the nation. The thesis has attempted to analyze the OTOP policy and its current operating principle, based upon Thailand's definition of SD in relation to Thailand's two primary developmental paradigms, being the contemporary (neo-liberal) paradigm and the alternative (localized) paradigm.

Based on the analysis of Thailand's contesting developmental paradigms, the theoretical background of OTOP is based on the synthesis of 3 vital and compatible objectives of both developmental paradigms being:

- 1.) The need to enable the process of decentralization which could only be achieved through increased participatory development initiatives
- 2.) The need to utilize the local communities as a micro unit of development
- 3.) The need to reduce the income distribution gap between the rural and urban populace

Based upon the review of the policy's conceptual background and its strategic objective at present, the thesis has summarized OTOP's implication towards these stated objectives as:

- Contribution towards the **decentralization process** is enabled through the ability of the TAO in the producer selection process, or its ability to continuously propagate the development of OTOP producers within the locality through the coordination of related agencies/institutions.
- The actual link between OTOP and **community empowerment** is based upon OTOP's ability to propagate 'the community learning process' for rural communities through its support and endorsement of democratically managed SMCEs and cooperatives. OTOP's support for SMEs or MCPs on the other hand, while benefiting the community due to its employment creation or

increased commercialization of locally made products, does not contribute towards the enabling of the community learning process.

- **Employment creation/income diversification**, although OTOP is able to propagate employment creation (within its SME/MCP producers) and income diversification (for its SMCE/cooperative members). However, at current no distinction is given to the type of producers involved being privately owned SMEs or community based SMCEs, or their differing implications local communities. Priority is instead given to the extent of product marketability with maximization of sales as immediate objective, without adequate concern towards the equitability of trade conducted with the local communities.

The core rationale behind OTOP's current implication towards the stated objectives above clearly indicates OTOP's current strategic objective of becoming an enabling mechanism of sustained commercialization (economic growth) at the micro (Tambon) level throughout the nation. Emphasis on socio/cultural and ecological aspects of trade conducted are essentially sidelined and outpaced by an almost unchecked promotion for the most capable producers to compete within the free market economy. OTOP could also be viewed as a continuation of the effort initiated from 1997 under the Chuan government to foster small scale entrepreneurs throughout Thailand, not only as part of its poverty alleviation program and income distribution mechanism, but also as a means to divert the country's export base away from concentrated industrial estates to a broader based range of capable small scale producers through the potential strength of the informal sector (low wages, abundance of human/natural resources etc).

สถาบันวิทยบริการ
จุฬาลงกรณ์มหาวิทยาลัย

Table 20, OTOP's conceptual implication to SD under Thaksin:

OTOP's contribution towards the 3 major objectives of Sustainable Development		
	OTOP's practice under Thaksin	OTOP's normative practice
Decentralization Process	OTOP Administered through the decentralized TAO as a means to foster and support the growth of SMEs and other capable small scale producers	OTOP administered through The TAO, as a capability Inducing policy, according to the community's preferred path, with the support of related State Agencies
Empowerment of local communities	Community is seen as micro economic unit which is to receive strategic objectives of policies from a Top-down basis, although policy Implementation and analysis is conducted on a bottom up fashion	OTOP as a 'Learning-Mechanism' for the community in which they are to continuously learn various means to solve their own problems and manage their resources through appropriate knowledge and technology
Employment Creation/ Income diversification	OTOP able to generate an Extent of income through (informal) salary for the SMEs/MCPs and increased productivity/Profit distribution for SMCEs/cooperatives with adequate capability and market exposure. Fiscal growth is generated through an increase in commercialization at the tambon level	OTOP meant to be a viable Income diversification (SMCEs) or employment Creation(within local SMEs) Initiative for communities based on trade of product made under equitable circumstances with appropriate support for capability building of the community's production capability from related agencies

(Writers own creation)

In this respect, the OTOP policy has in the past 5 years, despite its original stated objectives has been turned into an enabling catalyze of 'rural commercialization' with unrestraint support for the utilization of local (human/natural) resources without adequate means to ensure the rights of workers within the informal economy, the cultural integrity of communities involved or the adequate regeneration of natural resources utilized.

8.2) Recommendation

Based upon the hypothesis that OTOP's current emphasis on the maximization of trade without adequate consideration to the extent of community the learning process enabled, or the equity of trade conducted, does not comply to the stated objective of the policy. Through the comparative analysis of the operating principles of OTOP and Fair Trade, the thesis has identified the major differences which may have enabled OTOP to enhance its policy implication as an instigator of sustainable growth and CE, rather than its emphasis as a supplier support initiative.

8.2.1) The need to differentiate between the various types of producers endorsed

Recommendations to related agencies are:

- There should be recognition of the various types of producers operating within OTOP (being 1.) SMCEs 2.) SMEs, 3.) MCPs and 4 Cooperatives) and the benefits enabled through the support of these various organizational forms
- OTOP should be geared primarily towards the support of SMCEs and cooperatives which would allow a systematic enabling of the community learning process and the provision of a solid income diversification for the most marginalized sector within the community.
- Support given to SMEs and MCPs that have become part of OTOP should continue, although it may be desirable to create a new initiative altogether which specializes upon the support of privately owned SMEs/MCPs rather than merging it with an initiative that is also meant to support SMCEs, as is the case under OTOP at current.

8.2.2) The need for a standardized regulation on the conditions under which production occurs

Due to the similar theoretical implication of OTOP and Fair trade in their intent of being a link between the market and a diversified group of producers across rural as well as urban areas. The standards and conditions of

production of Fair trade may prove to be a viable benchmark for OTOP to utilize in order to proactively enable rural based producers and cooperatives to trade environmentally friendly products through practices that are controlled and managed by local communities while gaining a access to a potentially growing market (of ethical consumers). In this regard it is recommended that:

- There is a need for OTOP and the related state agencies to recognize the characteristics of the informal economy which covers a large part of production/employment within the OTOP initiative.
- Related agencies, must be aware that trade could only contribute towards the enabling of SD and CE if producers are managed (or operate) under a democratic structure which, with emphasis on the rights of workers within the informal sector as well as the cultural integrity of the producers.
- Through the adoption of principles similar to those of utilized by the FTM, OTOP would be able to reduce the potential degradation of local socio/cultural/ecological livelihood of the communities, which may be instigated through the increased commercialization of local products.

8.2.3) Shift of emphasis from quantity of trade to quality of trade

- As in the case of the Fair Trade organizations, rather than making the producers alter their production methods to suit demand (regardless of implication on traditional production methods or livelihood), OTOP's as a developmental initiative should focus its principle marketing strategy upon the arena of 'Customer Education' which is seen to be the primary method of ensuring a sustainable market demand and long-term success for craft/commodity producers.
- Related agencies and local institutions should elucidate and consult local producers prior to any attempts to alter traditional production methods with the community producers. This should be done in order for the SMCEs to recognize the profits and consequences of altering traditional production methods to suit the market demand, which would enable them to decide upon

the extent of product modification or involvement with external market according to their own need/beliefs.

- Attempts should be made by OTOP to build a long term relationship with its potential local as well as urban customers through their strategy of customer education. At current the OTOP name is recognized by Thai as a well known brand of community based products, however differentiation should also be established for local customers to understand the differences and consequences of supporting products made by SMCEs/Cooperatives as opposed to SME/MCP based goods. This recommendation is based on the belief that if the consumer is able to understand/appreciate the unique background of each producer, they would be initiated into the potentially viable market of 'ethical consumption'.



สถาบันวิทยบริการ
จุฬาลงกรณ์มหาวิทยาลัย



APPENDICES

สถาบันวิทยบริการ
จุฬาลงกรณ์มหาวิทยาลัย

APPENDIX A

1) The Development of Natural Resources and Environment for Sustainability

The strategy emphasizes on conservation, revival and sustainable utilization of natural resources. Projects under this strategy are the conservation and revival of forest and coastal lines, holistic management of water basins, revival of degraded natural resources, resolving and protecting pollution problems, and improving the effectiveness of natural resource and environment management by allowing participation from locals and all social stake holders.

2) Economic Development for Sustainability

Emphasis is given to the continuity of economic stability, growth that benefits the majority of population, the production and consumption that responds to need and improves life quality and, in the same time, does not jeopardize environment nor create pollutions which shall turn into investment costs and limitations to effective economic development.

3) Social Development for Sustainability

Importance is given to the consumption that is suitable and within nature's tolerant level to revive to its healthy state, and community waste within the level absorbable and completely destroyable by ecosystem. A mechanism is set up to allow participation from all social sectors, and create good partnership among individual manufacturing units so that there will be fair product distribution, which will lead to the production of goods that is safe to consumers and harmless to environment, as well as responds to people's basic need. The end result is to eliminate poverty and gap of social differences.

4) Promotion of Social Participation for Sustainable Development

People and all stake holder sectors are given roles to participate in the development of natural resources, environment, economy and society so that all voices are heard and balanced.

Thailand's Sustainable Development Plan of Implementation, National Economic and Social Development Board, viewed 20 August 2005,
<<http://www.nesdb.go.th/national/sustainableEcon.php>>



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APPENDIX B

Bangladesh

Aranya Crafts Ltd, Concern, Corr-The Jute Works, Development Wheel, Ecota Fair Trade Forum, GUP Batik Handicraft Unit of Gono Unnayan Procheshta, Heed Bangladesh, Jahanara Cottage Industries, Noakhail Rural Development Society, MCC, Polle Unayam Prokolpo, YYCA

China

Threads of Yunnan

Cambodia

Artisans Association of Cambodia

Laos

Phonthong Camacrafts Handicrafts Cooperative

Nepal

Association for Craft Producers/FTG Nepal, Bhaktapur Craft Printers, Mahaguthi Craft with a Conscience, Women's skill Development Centre

Pakistan

Ockenden International

India

Asha Handicrafts, Fair Trade Forum India, Federation of South India Producers Associations, Godavari Delta Woman Lace Artisans, IFFAD, Cooperative Cottage Industries Soc LTD, Grameen Crafts, International Resource for Fair Trade, Inc, Orupa, Sasha Exports Unit of Sash Association for Crafts, Share, Shilpa Trust, , Tara Projects

Indonesia

Apiktri, CD Bethesda, KKB Bangkit Indonesia, Lombok Pottery Centre, Mitra Bali, Pekerti, PKPEK, YAKKUM

Sri Lanka

Ashley Exports, Central Council of Disabled Persons, Gospel House Handicrafts Ltd. Lanka Jathinka Savodaya Shramadana Sangan, People's Organization for Development Import

Thailand

Thai Craft, Thai Tribal Crafts

Philippines

Advocate of Philippine Fair Trade Inc, Alter Trade Corporation, Barcelona Multipurpose Cooperative Inc, Community Crafts Associations of the Phillipines, Panay Fair Trade Center, Philippine Fair Trade Forum, PREDA FAIRTRADE, SAFRUDI, Salay Handmade Paper Industries Inc.

(Asia Fair Trade Forum, June 2003)



สถาบันวิทยบริการ
จุฬาลงกรณ์มหาวิทยาลัย

Appendix C

Inspection chain of Fair trade organization and its partner producers

Element of Code	Self Assessment reprt	review by supplier	review by cusotmer
Reaching the poor	Mission satment and strategy, annual development plan, producer profiles and regords	Comments on prouct selection, coments on development plan	Producer profile against priority groups
Transparancy	Structure, membership, records of meetings, communication systems, records of prices, wages	Availability of records, adequacey of communication and mutuality, oppportunity for participation in planning	Understanding by producers (if a Buyer), adequacy of information flow
Cpacity-building	Policy, plans and report on training, information and other input	Access to inputs as needed	
Promoting Fair trade	Report of activities, Quality of reviwes of partner reports. Report on purchases		
Fair price	Pricing mechanism and negotion policy; price records maintained	Report on pricing and net profit recieved	Report on pricing investigations
Situation of women	Development plan and report	Report on support advice or other input received	Report on situation and corrective actions noted
Working conditions	Policy, system of assurance, corrective plans	Report on support advice or other input received	Report on situation and corrective actions noted
Environment	Policy, system of assurance, corrective plans	Report on support advice or other input received	Report on situation and corrective actions noted

Taken from Wells P, (2002) An integrated FLO-IFAT monitoring and labeling system, Suffolk

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